

SUPPORTING STATEMENT (Revenue Procedure 99-17)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The collections of information in this revenue procedure are in sections 5 and 6 of the revenue procedure. Section 5.01 provides that for a taxpayer to make a §475(e) or (f) election that is effective for a taxable year for which the original federal income tax return was filed before 30 days after this revenue procedure is published, the taxpayer must have indicated, in any reasonable manner, its intent to make the election. For example, the taxpayer may make the election by reflecting the application of §475 in the calculation of the taxpayer's tax liability on its federal income tax return for the first taxable year subject to the election (election year) or by attaching a statement to that return. Section 5.02 provides that for a taxpayer to make a §475(e) or (f) election that is effective for a taxable year which begins before January 1, 1999, and for which the original federal income tax return is filed on or after 30 days after this revenue procedure is published, the taxpayer must make the election by attaching a statement that satisfies the requirements in section 5.04 of this revenue procedure to a timely filed original federal income tax return (including extensions) for the election year. Further, if the election results in a change in the taxpayer's method of accounting, the taxpayer must also comply with the requirements in section 5.05 of this revenue procedure.

Section 5.03 provides that for a taxpayer to make a §475(e) or (f) election that is effective for a taxable year beginning on or after January 1, 1999, the taxpayer must file a statement that satisfies the requirements in section 5.04 of this revenue procedure. The statement must be filed not later than the due date (without regard to extensions) for the original federal income tax return, if any, for the taxable year immediately preceding the election year and must be attached either to that return or, if applicable, to a request for an extension of time to file that return. If the election results in a change in the taxpayer's method of accounting, the taxpayer must also comply with the

requirements in section 5.05 of this revenue procedure. A taxpayer for which no federal income tax return was required to be filed for the prior year (a "new taxpayer") must make the election by placing in its books and records no later than 2 months and 15 days after the first day of that taxable year a statement that satisfies the requirements in section 5.04 of this revenue procedure. To notify the Service that the election was made, the new taxpayer must attach a copy of the statement to its original federal income tax return for that year.

Section 5.04 provides that the statement must describe the election being made, the first year for which the election is effective, and, in the case of an election under section 475(f), the business for which the election is made.

Section 5.05 states that if the election results in a change in the taxpayer's method of accounting, the taxpayer must file a Form 3115 for the year of change with its original federal income tax return for the year of change (that is, the election year). The reporting burden in section 5.05 of this revenue procedure is reflected in the burden of Form 3115.

Section 5.01(2) provides that if the taxpayer clearly demonstrates, on its original federal income tax return for the election year, its intent to make the election, but fails to reflect the application of \$475 in the calculation of the taxpayer's tax liability for that year, the taxpayer will be considered to have made the election only if the taxpayer, on or before June 16, 1999, files an amended return for the election year reflecting the application of \$475. In addition, section 6.02 requires a taxpayer that will file an amended return in accordance with section 5.01(2) to file a Form 3115 pursuant to the filing requirements in section 6.02 of Revenue Procedure 98-60, 1998-51 I.R.B. 16. The burden of these requirements is reflected on Forms 1120X, 1040X, and 3115.

2. USE OF DATA

The collections of information in this revenue procedure are in sections 5 and 6 of this revenue procedure. This information is required by the IRS in order to facilitate monitoring taxpayers changing accounting methods resulting from making the elections under §475(e) or (f). This

information will be used if a taxpayer making the change is audited. The likely recordkeepers and respondents are businesses or other for-profit institutions.

3. **USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

4. **EFFORTS TO IDENTIFY DUPLICATION**

We have attempted to eliminate duplication within the agency wherever possible.

5. **METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

Not applicable.

6. **CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

Not applicable.

7. **SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d) (2)**

Not applicable.

8. **CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

In response to the **Federal Register Notice** dated **May 27 2011 (76 FR 31013)**, we received no comments during the comment period regarding Revenue Procedure 99-17.

9. **EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

Not applicable.

10. **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The reporting burden in section 5.05 of this revenue procedure is reflected in the burden of Form 3115.

We estimate that 1,000 businesses or other for-profit institutions will do the reporting and recordkeeping required in section 5.01-5.04 of the revenue procedure, with an estimated, one-time burden per recordkeeper varying from 15 minutes to 1 hour, depending on individual circumstances, with an estimated average of 30 minutes. Thus, the estimated total reporting and/or recordkeeping burden is 500 hours.

Section 5.01(2) provides that if the taxpayer clearly demonstrates, on its original federal income tax return for the election year, its intent to make the election, but fails to reflect the application of \$475 in the calculation of the taxpayer's tax liability for that year, the taxpayer will be considered to have made the election only if the taxpayer, on or before June 16, 1999, files an amended return for the election year reflecting the application of \$475. In addition, section 6.02 requires a taxpayer that will file an amended return in accordance with section 5.01(2) to file a Form 3115 pursuant to the filing requirements in section 6.02 of Revenue Procedure 98-60, 1998-51 I.R.B. 16. The burden of these requirements is reflected on Forms 1120X, 1040X, and 3115.

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register Notice** dated **May 27 2011 (76 FR 31013)**, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. However, we did not receive any response from taxpayers on this subject. As a result, estimates of the cost burdens are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS IN APPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the revenue procedure sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the

collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.