

SUPPORTING STATEMENT
Internal Revenue Service
(Form 8904) Credit for Oil and Gas Production From Marginal Wells
OMB #1545-2278

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Since its enactment in 2004, the IRC section 45I credit for producing oil or natural gas from marginal wells hasn't been available (fully phased out) because market prices were too high. However, because natural gas prices were low enough in 2015, Counsel has informally indicated that the credit for natural gas production may be claimed by taxpayers for tax years beginning in 2016 (the credit for oil production remains unavailable for the 2016 tax year). This is expected to be announced in a Notice published in the Internal Revenue Bulletin soon. Taxpayers will use continuous-use Form 8904 to claim only the credit for natural gas production in 2016. The credit is also expected to be available for taxpayers to claim for tax years beginning in 2017, and potentially future years. We decided to make this form continuous-use rather than annual due to the extreme lateness upon which Treasury and Counsel are indicating the credit is available for 2016 tax years and that it may be available for future years, with similar late determinations.

2. USE OF DATA

Taxpayers will use continuous-use Form 8904 to claim only the credit for natural gas production in 2016. The credit is also expected to be available for taxpayers to claim for tax years beginning in 2017, and potentially future years. The IRS will use the data gathered from Form 8904 to determine the credit for natural gas production that can be claimed by the respondent.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS has no plans at this time to offer electronic filing because of the low volume compared to the cost of electronic enabling.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

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

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

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

If the Internal Revenue Service (IRS) did not collect this information, the IRS will not have the information to determine whether the taxpayer can claim the credit for natural gas production in 2016.

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

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

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 February 28, 2018 (83 FR 8735), we received no comments during the comment period regarding Form 8904.

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

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

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

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the Individual Master File, (IMF) system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.030 - CADE Individual Master File and IRS 34.037- IRS Audit Trail and Security Records System. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>. Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security number (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC §451	Form 8904	20,000	1	20,000	2.96	59,200
Totals		20,000		20,000	2.96	59,200

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

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUAL COST TO THE FEDERAL GOVERNMENT

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

15. REASONS FOR CHANGE IN BURDEN

There are no changes being made to this form at this time. IRS is making this submission for renewal purposes.

16. ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis, and publication.

17. REASONS WHY DISPLAYING THE OMB DATE IS INAPPROPRIATE

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form sunsets as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request

renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTION TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

Note: The following paragraph applies to all 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 U.S.C. 6103.