

Supporting Statement (Form 940/940-PR)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Form 940 is used by employers to file and pay Federal unemployment taxes. Internal Revenue Code section 3301 imposes the Federal unemployment tax of 6.2% on the first \$7,000 of annual wages paid to each employee. The employer is allowed a credit not to exceed 5.4% of the taxable wages, against the gross tax for amounts the employer pays (contributions) to state unemployment funds. The tax is figured and reported on Forms 940 and 940-PR (Puerto Rico employers only). If contributions are paid after the due date of the forms, the employer is allowed only 90% of the credit that otherwise would have been allowable if they had been paid by the due date.

2. USE OF DATA

The IRS will use the information reported on Forms 940 and 940-PR to ensure that employers have figured and reported the correct Federal unemployment wages and tax.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing on Forms 940 and 940-PR.

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

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Forms 940 and 940-PR.

In response to the **Federal Register Notice** dated August 7, 2006 (71 FR 44773), we received no comments during the comment period regarding Forms 940 and 940-PR.

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

Form	Number of Hours	Time per Responses	Total Response
Form 940			1,332,000
			12.08

			16,090,560
Form 940 WKST	20,000	2.06	41,200
Form 940 -V(OTC)			14,652
			.44
			6,447
Form 940-V(Preprinted)	131,868	.15	
19,781			
Form 940-PR			35,000
			15.15
			530,250
Form 940-PR WKST	1,400	1.18	
1,652			
Form 940-V(PR) (OTC)	1,000	.74	
740			
Form 940-V(PR) Preprinted	<u>34,000</u>	.15	—
5,100			
	1,569,920		
			16,695,730

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

The following regulations impose no additional burden. Please continue to assign OMB 1545-0028 to these regulations.

31.3302(b)-2	31.3302(a)-2	
	31.3302(a)-3	
31.3302(e)-1(c)	31.6011(a)-3(a)	31.6011(a)-3(b)
31.6011(a)-6(b)	31.6071-(a)-1(c)	31.6081(a)-1(b)
	&(c)	
31.6081(a)-1(a)	31.6091-1	31.6011(a)-5,8,9

31.6001-4

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register Notice** dated August 7 2006 (71 FR 44773), 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 responses from taxpayers on this subject. As a result, estimates of these cost burdens are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The primary cost to the government consists of the cost of printing these forms. We estimate that the cost to print the forms is \$11,443.

15. REASONS FOR CHANGE IN BURDEN

Form 940

We completely redesigned Form 940 to enable optical scanning and to reduce errors made by filers.

We deleted the edit codes section (“T, FF, FD, FP, I, and T”) because it is no longer used by Compliance or Submissions Processing.

We organized the form into eight distinct parts, adding line-by-line explanations for clarity.

We added a checkbox section for filers to designate the **Type of Return** being filed.

We replaced the “A, B, C, and D” questions with **Part I: Tell us about your return.**

We replaced **Part I, Computation of Taxable Wages**, with **Part 2: Determine your FUTA tax before adjustments...** The new section includes a list of payments exempt from FUTA tax and line-by-line instructions for determining the tax before adjustments.

We replaced **Part II, Tax Due or Refund**, with **Part 3: Determine your adjustments...**and **Part 4: Determine your FUTA tax and balance due or overpayment....**We added detailed line instructions and referenced the new worksheets in the separate Instructions for

Form 940 to simplify the calculations of adjustments, credit reduction, overpayment, and balance due.

We redesigned **Part III, Record of Quarterly Federal Unemployment Tax Liability**. It has been replaced with **Part 5: Report your FUTA tax liability by quarter**....We also added clearer instructions on how to properly complete this section.

We redesigned the section for third-party designee authorization.

We redesigned the signature section to conform more closely to the corresponding part on other redesigned employment tax forms.

We added an “optional” paid preparer section as requested by SB/SE Compliance.

Form 940-V, Payment Voucher, is now a separate page with instructions for completing and mailing it.

Form 940 Instructions

We completely redesigned the Instructions for Form 940 to provide clearer directions, including line-by-line instructions, examples and worksheets.

We added limited State Agency contact information to the last page of the instructions as a reference for questions regarding state unemployment contributions.

These changes have resulted in a net decrease of 8,067,640 burden hours.

This submission is being made to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attachment.

18. EXCEPTION 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.