

SUPPORTING STATEMENT
Form 990-N

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1223 of the Pension Protection Act of 2006 (PPA '06), enacted on August 17, 2006, amended Internal Revenue Code (Code) section 6033 by adding Code section 6033(i), which requires certain tax-exempt organizations to file an annual electronic notice (Form 990-N) for tax years beginning after December 31, 2006. These organizations are not required to file Form 990 (or Form 990-EZ) because their gross receipts are normally \$25,000 or less.

Code section 6033(i) requires these organizations to provide the following information:

- legal name,
- other names used,
- address,
- website address (if applicable)
- employer identification number,
- name and address of a principal officer,
- annual tax period,
- verification that annual gross receipts are still normally \$25,000 or less, and
- if applicable, notification of termination.

In addition, section 1223 of PPA '06 added new Code section 6033(j), which provides for revocation of an organization's tax-exempt status if it fails to file an annual electronic notice or a return (Form 990, 990-EZ or 990-PF) for three consecutive years.

2. USE OF DATA

The IRS will use the data to:

- Make corrections to the Master File
- Remove organizations that are no longer in existence, and
- Verify that the organization is not required to file Form 990 because its gross receipts are normally \$25,000 or less.

In addition, we will make this information available to the public as required by Code section 6104(b).

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Form 990-N will only be available as an electronic form.

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 Form 990-N.

In response to the **Federal Register** notice dated March 15, 2007 (72 FR 12262), we received no comments during the comment period regarding Form 990-N.

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 IRS estimates that approximately 520,000 organizations (80% of the 650,000 we have identified as being required to file) will file Form 990-N. We believe that the other 20% of these organizations are no longer in existence. The time to complete Form 990-N takes into consideration all nine items.

520,000 filers X .15 minutes = 78,000 minutes / 60 minutes = 1,300 hours annually

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated March 15, 2007 (72 FR 12262), 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

It is too early in the development process to estimate accurately the annualized cost to the Federal Government.

15. REASONS FOR CHANGE IN BURDEN

Not applicable.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it would cause confusion by leading taxpayers to believe that the form sunsets as of the expiration date. Taxpayers may not 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. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-1

Not applicable.

19. BASIS FOR EMERGENCY SUBMISSION

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.