

Supporting Statement
(Forms 5304-SIMPLE, 5305-SIMPLE, and Notice 98-4)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1421 of the Small Business Job Protection Act of 1996 established the savings incentive match plan for employees of small employers (SIMPLE plan) under Code section 408(p). Contributions to a SIMPLE plan are made to individual retirement accounts or annuities (SIMPLE IRAs) that are established pursuant to the SIMPLE plan adopted by the employer.

Under Code sections 408(1) & (p), an employer that maintains a SIMPLE plan must notify each eligible employee of the employee's opportunity to enter into a salary reduction agreement or to modify a prior agreement, to select his or her own SIMPLE IRA (or if the employer makes all contributions to a designated financial institution, to transfer his or her balance to another financial institution without cost or penalty), and the employer's election, if any, to make a reduced matching contribution or a nonelective contribution in lieu of a matching contribution. In addition, the employer must provide each employee with a summary plan description. An employee who elects to participate in the SIMPLE plan must notify the employer of his or her election, and if applicable, the IRA he or she has selected.

Under Code sections 408(i)&(1), the trustee of a SIMPLE IRA must provide the employer maintaining a SIMPLE plan with a summary plan description each year. In addition, the trustee must provide each SIMPLE IRA participant with an annual account statement.

Notice 98-4 provides guidance for employers and trustees regarding how they can comply with the notification and reporting requirements described above. In addition, the notice informs employers who establish SIMPLE plans without using a designated financial institution that they also may use Form 5305-SIMPLE, subject to certain modification.

Form 5304-simple is a model SIMPLE IRA agreement that was created to be used by an employer to permit employees who are not using a designated financial institution to make salary reduction contributions to a SIMPLE IRA described in section 408(p) of the Internal Revenue Code.

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2. USE OF DATA

The data is used to verify the following information: (1) that the employer has a qualified SIMPLE plan; (2) that the employer may deduct contributions to the SIMPLE IRAs associated with such plan on the employer's income tax return; and (3) that contributions made to the SIMPLE plan on behalf of employees are not includible in income. In addition, the data is used to provide employees with the information they need to make salary reduction contributions and to withdraw or transfer contributions made on their behalf.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have 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

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 5304-SIMPLE, 5305-SIMPLE, and the reporting requirements described above.

In response to the Federal Register notice (71 FR 17561), dated July 2, 2009 (74 FR 35908), we received no comments during the comment period regarding Form Forms 5304-SIMPLE, 5305-SIMPLE, and Notice 98-4.

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

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 5304-SIMPLE		100,000	6.40
		640,000	
Form 5305-SIMPLE		200,000	
		6.99	
Notice 98-4	<u>300,000</u>	.25	—
<u>75,000</u>			
	600,000		
2,113,000			

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

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated July 21, 2009, 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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution, and overhead for these forms is \$46,534.

15. REASONS FOR CHANGE IN BURDEN

There are no changes to the burden for Forms 5304-SIMPLE, 5305-SIMPLE, or Notice 98-4. However, changes were made to how the burden was listed in the ROCIS system. Burden has been separated out to each individual document. We are making this submission for renewal purposes only.

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.