

**SUPPORTING STATEMENT to Form 83-I for
e-Services
Registration, TIN Matching Application and Interactive TIN Matching**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The current IRS Electronic Tax Administration (ETA) organization is charged with assisting the IRS meet the 2007 legislative target of 80 percent electronically filed returns by providing e-services that enhance customer service, reduce burden, and increase efficiency consistent with the IRS mission of providing "America's taxpayers with top quality service."

This legislative target came about as part of the Restructuring and Reform Act of 1998 (RRA'98). An even more urgent target that came out of the RRA'98 is that, by 2003, substantially all tax returns prepared on a computer should be filed electronically. The e-services products seek to increase the share of third-party returns being e-filed by making it easier for third parties to transact business with the IRS by use of the Internet.

Both private and public sector organizations and individuals are becoming increasingly dependent upon advanced information and communication technology in tax administration matters. IRS Business System Modernization efforts determined the need to establish a public network accessible to all, an employee network accessible to IRS employees and a Registered User Network, accessible to anyone doing business with IRS other than as a taxpayer.

The Registered User Network will enable more efficient and secure communication and transfer of tax information between business, individual taxpayers and the Internal Revenue Service. Registration to e-services is voluntary but is a required authenticating step for any user wishing access to the e-services products planned for release on the Registered User Network in 2003.

The following products are planned by e-services release 1 scheduled for February 20, 2003:

- 1) Registration - screen-based registration required to authenticate any third party to use of the planned e-services products being made available through the Registered User Network. This supporting statement includes details requested for Registration.
- 2) Application for a Practitioner Identification Number (PTIN) - screen version of form W7-P. Form W7-P does not require OMB approval and we have been advised the screen version of the form will not require OMB approval.
- 3) Application for TIN Matching - Payers who submit information returns to IRS reporting income subject to backup withholding may apply for TIN Matching. Internal Revenue Code Section 6109(a)(1) provides any payer required to file an information return must include the payee's correct TIN. IRC Section 6721 provides payers who submit incorrect information to IRS are subject to a penalty for failure to file a complete and accurate information return. Interactive TIN Matching will allow payers, or their authorized agents, to submit TIN/Name combinations to IRS via online sessions to be matched against IRS records. This will allow them to verify the payee information prior to submitting information returns to IRS, and clean up their databases. This will benefit IRS since payers will submit more accurate information, which allows IRS to match income reported by taxpayers on their individual tax returns with information reported by payers. It will also reduce the number of backup withholding CP2100 "B" notices and Incorrect Information Penalty 972CG notices produced and mailed by IRS to payers, thereby reducing the burden on payers and payees. The first year, TIN Matching will be restricted to 75,000 users. One payer may have many users, especially larger banking and financial institutions, insurance companies, and corporations with nationwide locations. There are 4.1 million payers who report income subject to backup withholding on the Payer Master File. Currently, 450 payers have expressed an interest to apply, with an average of 25 additional requests for information about the program coming in each day. Once TIN Matching is fully implemented, the floodgates will open and it'll be a matter of having to restrict the program to just 75,000 users during the first year. When payers provide information during the online TIN Matching application process, the system will verify they are authorized to use TIN Matching. There is no paper application form to apply for TIN Matching.
- 4) Interactive Taxpayer Identification Number (TIN) Matching - Interactive TIN Matching will allow an authorized user to input up to 25 TIN/Name combinations per session with real-time results. The entries to interactive TIN Matching will not be retained by the system. There is no existing IRS system that provides this support to payers at this time. There is no paper form to use interactive TIN Matching.
- 5) Indirect Channel Management (ICM) - An internal facing system that will allow an IRS employee to manage external efforts, for example to create a campaign to place an ad in a trade magazine or create a campaign to inform firms that V-Code about the benefits of e-filing. The C&L organization is spearheading this effort with all IRS

Operating Divisions. The IRS Commissioner made the decision that the PeopleSoft Customer Relationship Management System, which is the platform, used for ICM will be the repository of all external stakeholder data. There are some external screens used in this product. There is no paper form associated with ICM. A change request will be prepared for this submission once the screens for ICM are available.

The following products are planned for e-services release 2 scheduled for June, 2003:

- 1) Application for e-file - The registered tax practitioner applies to be an e-filer for business or income tax e-filing for his firm and delegates authority to use e-services to selected employees. The screen process supplements the current paper Forms 8633 (OMB 1545-0991) and Form 9041 (OMB 1545-1079). Both of these forms have OMB approvals. Form 9041 will be discontinued and the contents will be incorporated into Paper Form 8633. A change request will be provided for the new Form 8633 and associated e-services screens.
- 2) Disclosure Authorization (DA) - Disclosure Authorization provides for an on-line screen submission or modification of Form 2848 (Power of Attorney) and Form 8821 (Tax Information Authorization) for businesses or individuals. A registered user creates a new Tax Information Authorization and, after authentication of taxpayer and third party electronic signatures, is advised online that authorization is approved. Both of these forms have OMB approval, Form 2448 (OMB 1545-0150) and Form 8821 (OMB 1545-1165). Change requests will be provided for Form 2448 and Form 8821 once the screens become available.
- 3) Transcript Delivery System (TDS) - A registered user requests through a screen format a single transcript and that transcript is returned online Transcript Delivery System delivers a secure, online transmission of tax return transcripts, account transcripts, verification of non-filing, and Forms W-2 in standard formats. There is no IRS form associated with this product. A change request will be provided to this package once the screens become available.
- 4) Electronic Account Resolution (EAR) - A registered user submits a complex refund inquiry through a screen-format and is advised that an email will be sent when the requested information is placed in their secure mailbox. Electronic Account Resolution offers practitioners the capability to resolve account-related issues electronically using a secure internet application. The following five account related issues for individuals and businesses can be resolved: Complex refund, account problem, installment agreement, payment tracer, and notices. The system also provides options for follow-up inquiries and multiple inquiries. There is no IRS form associated with this product. A change request will be provided to this package once the screens become available.
- 5) Bulk TIN Matching - will allow an authorized user to upload a .txt file containing up to 100,000 TIN/Name combinations per batch through an online file transfer with results provided electronically within 24 hours. Terms of Agreement that the user will only match TIN/Name combinations for income subject to backup withholding reported on Forms 1099-INT, DIV, PATR, OID, B and/ MISC must be agreed to each time a user enters the TIN Matching system. The results to bulk TIN Match requests will be retained for 30 calendar days, or 3 days after the user has opened the response. There is no IRS form associated with this product. A change request will be provided to this package once the screens become available.
- 6) Registration - Paper Registration Process will be available but it is undetermined when IRS will implement this feature. . There is no IRS form currently associated with this product. A change request will be provided to this package once the form become available.

The following products are planned for e-services release 3 scheduled for November, 2003:

- 1) Transcript Delivery System (TDS) will accommodate state access and will support the issuance of dynamic letters. A change request will be prepared for this product. There is no IRS form associated with this product. A change request will be provided to this package once the screens become available.

2 USE OF DATA -

Registration

The registration data will be used by IRS to authenticate a user. The information required to register is not considered a new data collection, since this information already exists at IRS. Any third party requiring access to e-services must first register. Registration is voluntary. Registration is a one-time event. Access to different products will be managed through applications. . Registrants are asked to provide the following:

legal name
social security number
date of birth
telephone number

e-mail address
 adjusted gross income from the current year or prior year return
 a user selected username, password and pin
 a reminder question to recover a forgotten username
 a home mailing address

Registrants will be required to accept the registration Terms of Agreement. IRS will then issue a registration confirmation code via the U.S. Postal Service and require the user to log back into the e-services portal within 28 days to enter this registration confirmation code, which will complete the registration process. The purpose of registration is to Authenticate the third-party users who want access to the e-services secure internet portal. Registration by itself does not grant the registrant access to e-services. Applications must also be completed and approved for access to the different e-services products

Application for Interactive TIN Matching - The application data will be used by IRS to manage users of TIN Matching Products and to ensure that only authorized payers are provided access to these products. During the application process payers will be validated against the Payer Authorization File (PAF) before being given approval. Out of over 7 million payers on the Payer Master File, the Payer Authorization File consists of approximately 4.1 million payers who have submitted any of the required six information returns (Forms 1099-INT, DIV, PATR, OID, B and/or MISC) during the past 2 years.

The following data elements will be requested during the Application for TIN Matching:

Principal Information

Name
 Organizational Role (Principal, Responsible Official, Authorized Agent, Delegated User)
 Principal's Phone Number
 e-mail Address

Firm/Organization Information

Firm/Organization Legal Name
 Employer Identification Number
 Country
 Address 1 and Address 2
 City
 State
 Zip-Code
 Phone for this location

Location Information

Name of Location
 Country
 Address 1 and Address 2
 City
 State
 Zip-Code
 Phone for this location

Authorized User Information

Name (First/Middle/Last)
 Social Security Number
 Phone Number
 e-mail address
 location
 Organizational Role (Principal, Responsible Official, Authorized Agent, Delegated User)

Terms of Agreement Indicator (Accept/Not Accept)

Interactive TIN Matching Users - Payers accepted into the program will be allowed to match their payees' TIN and name combinations with IRS records prior to their annual submission of information returns, or when opening new accounts for payees. A Taxpayer Identification Number (TIN) can include a Social Security Number (SSN), Employer Identification Number (EIN), Adoption Taxpayer Identification Number (ATIN), or an Individual Taxpayer Identification Number (ITIN). The entries made by payers using interactive TIN matching will not be retained by IRS.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Registration to e-services provides an efficient exchange of electronic information from the public to the government by allowing the public to enter required information through secure on-line access on the internet

TIN Matching Application and interactive TIN Matching provide an efficient exchange of electronic information from payers and the Internal Revenue Service. For Tax Year 2000, IRS sent backup withholding CP2100 "B" notices to 787,362 payers, generating 33,136 calls to the Martinsburg Computing Center Customer Service Section (Call Site) from 10/1/01 to 1/26/02, totaling 50% of calls received during that period. Out of the 787,362 payers, 777,685 received paper listings mailed by five IRS Service Centers. TIN Matching is being offered to payers to reduce the number of CP2100 backup withholding "B" notices and Incorrect Information Penalty 972CG notices, they receive. When payers receive these notices, they are required to contact their payees to solicit the correct TIN information. The goals of the TIN Matching program are to reduce the number of incorrect information returns received by IRS, which currently is 3% of 1.5 billion documents, or approximately 50 million documents each year; reduce the number of CP2100 "B" notices and Incorrect Information Penalty 972CG notices sent to payers; reduce the TIN validation error rate; and ensure the information received from payers is correct and compliant with current tax laws, all of which will ultimately reduce taxpayer burden.

4. EFFORTS TO IDENTIFY DUPLICATION

The Registration Process will be the first of its kind at IRS. It will be the first time that external users will be authenticated and allowed the ability to apply for services that provide access to sensitive taxpayer data.

The implementation of the TIN Matching Application and interactive TIN Matching Products will be the first time IRS has provided these services to payers.

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

The Registration process will minimize burden on small businesses or other small entities since registration is a one time event, which will provide access to applications for a wide variety of tax administration products. Anticipated improvements in business performance to the IRS, taxpayers, and the community of third parties from the planned e-services products include the following:

Decrease in e-file application cycle time from: 28 days to 10 days for a full approval; and 14 days to 3 days for a conditional approval

Drop in e-file application rejection and rework rates from 27 percent to less than 1 percent

Drop in Disclosure Authorization cycle time from 2–25 days to less than 1 day

Drop in Disclosure Authorization rejection and rework rates from 2 percent to less than 1 percent

Drop in Transcript Delivery cycle time from 2–30 days to less than 1 day

Drop in Transcript Delivery rejection and rework rates from 2–4 percent to less than 1 percent

Drop in TIN Matching cycle time from 30 days to instantaneous–24 hours

Drop in EAR cycle time from 14+ days to 3 days

Drop in EAR rejection and rework rates from 30 percent to 5 percent

TIN Matching is being provided to payers to reduce the current number of CP2100 backup withholding "B" notices and Incorrect Information Penalty 972CG notices sent to payers submitting information returns with bad or missing TINs. Receiving these notices requires payers to solicit the correct information from payees, which is a labor intensive, time-consuming burden for both payers and payees. Processing and mailing the notices, and answering follow up calls from payers and payees, uses valuable IRS resources that could be used elsewhere. The goals of the program are to reduce the number of "B" notices from the current 3% error rate, reduce the TIN validation error rate, reduce the number of proposed penalty notices, and reduce taxpayer burden.

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

Usability testing is planned in January 2003 for e-services release 1 products. External stakeholders are being invited to attend these meetings. During these meetings, there is an opportunity for attendees to make comments regarding the e-services releases 1 products, including TIN Matching application and interactive TIN Matching.

We received no comments during the comment period in response to the Federal Register notice dated February 4, 2010 (75 FR 5854).

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

Not applicable

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

In accordance with 26 U.S.C. 6103 it is required that all taxpayer information be kept confidential. Also, in compliance with the Privacy Act of 1974., as amended, the Privacy Act Statement will be included in the on-line registration process.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

List the number of responses, time per response, and total burden for each screen product/form included in the submission. The burden estimate for e-services registration is as follows:

Process	Number of Responses	Time per Response	Total Hours
Registration to e-services	600,000	(20 minutes)	200,000
Required Password maintenance	600,000	(20 minutes)	200,000
Forgotten Password maintenance	120,000	(20 minutes)	40,000

The burden estimate for e-services TIN Matching Interactive Application and Sessions is as follows

Process	Number of Responses	Time per Response	Total Hours
TIN Matching Interactive Application	75,000	(20 minutes)	25,000
TIN Matching Interactive Sessions	18,750,000	(10 minutes)	3,125,000

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 February 4, 2010, 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 an 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

Estimates of annualized costs are not available at this time.

15. REASONS FOR CHANGE IN BURDEN

There is not change in the paperwork burden preciously 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 INAPPROPRIATE

See attachment.

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.