

**SUPPORTING STATEMENT
(Form 720)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

There are over 40 separate tax categories on Form 720. The form is used to report: (1) excise taxes due from retailers and manufacturers on the sale or manufacture of various articles; (2) the tax on facilities and services; (3) environmental taxes; (4) luxury tax; and (5) floor stocks taxes. It enables IRS to monitor excise tax liability for various categories on a single form and to collect the tax quarterly in compliance with the law and regulations. Schedule A (Form 720) is used to report the liability for the six semimonthly periods of each quarter. This enables the IRS to determine if deposit penalties are applicable. Schedule C (Form 720) is used by taxpayers to explain adjustments or claims taken on line 4. It insures that taxpayers only take adjustments and credits to which they are entitled. This information allows the IRS to allocate the adjustment to the proper trust fund.

2. USE OF DATA

The information supplied on Form 720 is used by the IRS to determine the correct liability. Additionally, the data is reported by the IRS to Treasury so that funds may be transferred from the general revenue fund to the appropriate trust fund.

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 Form 720.

In response to the **Federal Register** Notice dated May 10, 2007 (F. R. 26684), we received no comments during the comment period regarding Form 720.

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 burden estimate is as follows:

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Form	Number of Responses	Time per Response	Total Hours
720 & Part I	118,854	25.46	3,026,023
Form 720, Part 11	16,088	6.57	105,699
Form 720, Part 111	124,942	5.27	658,445
Schedule A	108,161	3.89	420,747
Schedule T	18,000	1.94	34,920
Schedule C	2,499	45.33	113,280
720-V OTC & OCR	17,200	1.21	7,267
Total	405,744		4,366,381

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

The following regulations impose no additional burden. Please continue to assign OMB No. 1545-0023 to these regulations.

Reporting regulations

40.6011(a)-2	48.4041-18
	48.4221-4
40.6071(a)-1	48.4041-19
	48.4221-5
40.6071(a)-2	48.4041-20
	48.4221-6
40.6091-1	48.4041-21
	48.4221-7(c)
40.6101-1	48.4042-12
	48.4221-8(e)
40.6151(a)-1	45.4051-1T

40.6302(c)-1		48.4221-9
		48.4061(a)-2
48.4041-0		48.4222(a)-1
		48.4071-1
48.4041-3		48.4222(b)-1
		48.4071-
		1(a)(2)(b)
48.4041-4		48.4243-11
		48.4073-3
48.4041-5		48.6416(a)
		48.4081-
		2(h)(4)
48.4041-6		48.6416(a)-1(d)
		48.4081-
		18(f)
48.4041-7		48.6416(a)-1(c)
		48.4081-
		20(g)
48.4041-8		48.6420(c)-2
		48.4083-1
48.4041-9		48.6427-1
		48.4101-
		1(a)(b)(c)
48.4041-10		49.4253-3
		48.4102-1(b)(c)
		49.4253-4
48.4041-11		48.4216(a)-2
		48.4261
48.4041-12		48.4216(a)-3
		48.4081-
	7(c)	48.4216(c)-1
48.4041-13		48.4221-1(b)(c)
48.4041-14		48.4221-2
48.4041-15		48.4221-2(c)
48.4041-16		48.4221-3
48.4041-17		

Recordkeeping Regulations

46.4374-1(b)	48.4221-4(d)(2)(l)
48.4041-5(c) & 6	48.4221-4(d)(2)(ii)

48.4041-9, 11, 12, & 13	48.4223-1(c)	
48.4042-2		48.6416(a)-
	1(d)(2)	
48.4061(a)-1		48.6416(b)-1(d)
48.4061(b)-3		48.6416(b)-3(a),(c)
48.4073-1(c)(e)		48.6416(b)-4(c)
48.4081-2(c)(h)		48.6416(b)-5(c)
48.4182-1		48.6416(e)-1
48.4221-4(d)(2)(l)	48.6416(f)-1	
48.4221-4(d)(2)(ii)	48.4264(b)-1(a), (b),(c)	
48.4222(b)-1		
48.6416(b)-2		
49.4253-3		

13. **ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

As suggested by OMB, our **Federal Register** notice dated May 10, 2007, 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**

The primary cost to the government consists of the cost of printing Form 720. We estimate that the cost of printing the form is \$770,186.

15. **REASONS FOR CHANGE IN BURDEN**

Indoor Tanning Services (Change for Rev. July 2010) added: For page 2- The Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), sec. 10907, creates new IRC chap. 49 (Cosmetic Services) and sec. 5000B, which imposes a 10% excise tax on the amount paid for indoor tanning services. Prior to this revision, the tax was not reflected on Form 720. Page 2, Part II was changed to add line for IRS No. 140 for the filer to report 10% of the amount paid.

Line 6h added, credit for use of "Liquefied gas from biomass" (Change for Rev. October 2008): Section 204(b) of the Energy Improvement and Extension Act of 2008, which is in Division B of the Financial Rescue bill (P.L. 110-343),

codifies liquefied gas from biomass as one of two new alternative fuels under IRC 6426. This provision is effective after date of enactment (October 3, 2008). Liquefied gas derived from biomass is taxable under sections 4041(a)(2) at \$.183. The credit for nontaxable use of liquefied gas derived from biomass will be claimed on Schedule C on new line 6h at \$.183 per gallon under credit reference number (CRN) 435.

Lines 14h and 14i added, credits for use of "Liquefied gas derived from biomass" and "Compressed gas derived from biomass" (Change for Rev. October 2008): Under Section 204(b) of the Energy Improvement and Extension Act of 2008 (cited above) credits are available for mixtures of taxable and alternative fuel, claimed on new lines 14h and 14i on Schedule C at the rate of \$.50 per gallon or gallon equivalent.

Lines 15f, 15g, and 15h added, credits applicable for tax-paid tires (Change for Rev. January 2009): Previously, these CRNs appeared only in the Instructions for Form 720. The form was changed to also add a "Number of tires" column. This change was made at the request of SE:W:CAS:SP and ETA to capture the number of taxable tires claimed for CRNs 396, 304, and 305. These changes have resulted in a net increase of 11,758 burden hours.

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.