

SUPPORTING STATEMENT

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Information is being collected in order for the IRS to ensure that individuals and business entities are not abusing the EIN application process. Without such information, the IRS must expend significant resources to determine the true ownership information of entities that hold EINs. The likely respondents are individuals and entities that currently hold an EIN and need to update information regarding the entity's ownership information, including the identity of the entity's "responsible party."

The regulation is attempting to establish guidelines on maintaining the proper contact information as it relates to a particular EIN. Some of the general contact information would be name, address, phone information, updated application information regarding the name and taxpayer identifying number of the responsible party. This requirement covers those persons who previously applied for an EIN.

More detailed information required of the person updating an EIN is not yet been available but will be either be established by form, instruction, or other guidance developed by IRS in the near future. We will add the collection instrument once determined/developed.

2. USE OF DATA

The information collected will better allow the IRS to gather correct ownership information with respect to the EIN applicant. In turn, the IRS can use that knowledge to contact the correct persons when resolving tax matters related to businesses with EINs and to help combat schemes that abuse the tax system through the use of nominees.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Currently, the IRS requests that the entity voluntarily update its application information by submitting a letter with the updated information. It is the intent of the IRS to develop a new form in the near future that will capture the updated information.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESS 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

This notice of proposed rulemaking was published in the Internal Revenue Bulletin, April 16, 2012 (2012-16 I.R.B. 803), and provided the public a 60-day period in which to review and provide public comments relating to any aspect of the proposed regulation.

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

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

The information required by these proposed regulations is protected by 26 U.S.C. § 6103. Other information may be protected because it is proprietary in nature.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The proposed regulations provide rules requiring any person assigned an employer identification number (EIN) to provide updated information to the IRS in the manner and frequency prescribed by forms, instructions, or other appropriate guidance. These proposed regulations affect persons with EINs and will enhance the IRS's ability to maintain accurate information as to persons assigned EINs.

We estimate the total number of respondents at 1,612,708 with the estimated average response time of 15 minutes or .25 hours, with a total annual hours requested of 403,177.

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

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

This is a new collection of information.

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 could cause confusion by leading taxpayers to believe that the requirements set forth in these proposed regulations will sunset as of the expiration date. Taxpayers are not likely to be aware that the Service 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-I

Not applicable.