

SUPPORTING STATEMENT

Reg-121647-10
Form 8957

CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Pl 111-147 added Chapter 4 to the Internal Revenue Code. Chapter necessitates various forms for a foreign institution to apply for status as a foreign financial institution as defined in section 1471(b)(2).

New Code Section 1471 provides a mechanism to try to get foreign financial institutions (FFIs) to report to the IRS any of their account holders that are U.S. persons, in order to prevent foreign accounts from being used to evade US taxes. IRC 1471 does this by requiring persons (referred to as "withholding agents") that pay interest, dividends, royalties, and many other types of U.S. income (referred to as "withholdable payments") to an FFI to deduct and withhold 30 percent of the payment, unless the FFI meets certain requirements set out in IRC 1471(b). Withholding agents are generally U.S. financial institutions, but the term also includes other US and foreign institutions that pay US-sourced income to an FFI. An FFI will NOT be subjected to FATCA withholding under 1471(a) if the FFI meets the requirements of IRC 1471(b), by either entering an agreement with the IRS to identify and report its US account holders to the IRS, or by meeting the requirements of one of several categories of FIs described in Treasury regulations as not subject to FATCA withholding.

USE OF DATA

Form 8957: The information is to be used by a foreign financial institution to apply for status as a foreign financial institution as defined in IRC 1471(b)(2).

USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We intend to offer electronic filing on Form 8957.

EFFORTS TO IDENTIFY DUPLICATION

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

. 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 have been held between IRS personnel and professional groups to discuss the new law and tax forms. During these meetings, comments were made regarding the need for proposed regulations to clarify the statute and discuss the issuance of new form(s) needed to administer the statute.

Proposed regulations, under sections 1471-1474 of the Internal Revenue Code (REG-121647-10), were published in the Federal register on February 15, 2012 (77 F.R. 9022). Written or electronic comments were requested to be received by April 30, 2012. A public hearing was scheduled for May 15, 2012, at 10 a.m.

In compliance with OMB guidelines, on August 15, 2012 (77 F.R. 49060), a notice was published in the Federal Register to solicit public comments on Form 8957.

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:

	<u>Responses</u>	<u>Response</u>	<u>Hours</u>
Form 8957	<u>260,000</u>	8 hrs., 8 min.	<u>2,116,400</u>

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated August 15, 2012, 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

The primary cost to the government consists in setting up computer programs to process the information. The majority of the forms filed will be electronic. The printing costs will be negligible.

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution and overhead for the form is \$1,300,000.

15. REASONS FOR CHANGE IN BURDEN

These are new forms.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attached.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable.