

## SUPPORTING STATEMENT

### 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.

The following products are provided for e-services for registration and TIN matching

- 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 stipulates that 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. One payer may have many users, especially larger banking and financial institutions, insurance companies, and corporations with nationwide locations. 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) 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.

## **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. 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, 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**

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

### **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**

On June 26, 2006, Treasury Decision 9264 was released in the Internal Revenue Bulletin. In response to the Federal Register notice (78 FR 39), dated March 13, 2013 we received no comments during the comment period regarding TD 9264.

**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 March 13, 2013, 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**

Estimates of annualized costs are not available at this time.

**15. REASONS FOR CHANGE IN BURDEN**

There is no change in the paperwork burden previously approved by OMB. This form is being submitted for renewal purposes only.

**16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION**

Not applicable

**17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE**

We believe the public interest will be better served by not printing an expiration date on the screens in this package. Printing the expiration date on the screens will result in increased costs because of the need to replace inventories that become obsolete by passage of the expiration date each time OMB approval is renewed. For this reason we request authorization from OMB not to print the expiration date.

**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.

\*If emergency approval is needed, please give reason.