

## **SUPPORTING STATEMENT**

### 1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

On October 6, 1997, the IRS released final regulations under sections 1441 et seq. that contain significant modifications of the procedures for withholding on payments of U.S. source income to foreign persons and for reporting information about these payments to the IRS. The regulations provide for new rules for payments made to foreign intermediaries, such as nominees, custodians, and agents. The regulations permit foreign intermediaries that become "qualified intermediaries" (QI) to certify to a U.S. withholding agent that the beneficial owner of income is a foreign person and, if applicable, that the owner is entitled to a reduced rate of withholding either under the Code or a tax treaty. These procedures are, in part, a response to the comments made by foreign financial institutions that the current U.S. withholding tax regime sometimes requires the disclosure of confidential taxpayer information to competitors.

### 2. USE OF DATA

To apply for QI status, an eligible person must submit the information required to:

Assistant Commissioner (International)  
Foreign Payments Division  
OP:IN:I:FP  
950 L'Enfant Plaza South, SW  
Washington, DC 20024  
Telephone: (202) 874-1800  
Fax: (202) 874-1797

A prospective QI must submit an application to become a QI. The application must establish to the satisfaction of the IRS that the applicant has adequate resources and procedures to comply with the terms of the QI withholding agreement. An application must include the information specified in section 3.02, and any additional information and documentation requested by the IRS.

Upon receipt and review of an application to become a qualified intermediary, the IRS will complete the QI agreement (e.g., insertion of the QI's name, etc.). A

prospective QI should ensure that it has provided to the IRS all of the information that is required to complete the agreement. It may be necessary for the IRS to contact the potential qualified intermediary, or its authorized representative, to obtain additional information. Once the IRS has obtained all the information required to complete the agreement, the IRS will send two unsigned copies of the QI withholding agreement to the prospective QI for signature. Both copies of the agreement should be signed by a person with the authority to sign the agreement and returned to the IRS at the address specified. The IRS will sign the QI agreement and return one of the originals to the qualified intermediary.

The information will be used by the IRS to ensure compliance with the U.S. withholding system under the section 1441 regulations (especially proper entitlement to treaty benefits).

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, Regulations, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998.

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

We have attempted to minimize the burden on small businesses or other small entities wherever possible.

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

Revenue Procedure 98-27 was published in the Internal Revenue Bulletin on April 13, 1998 (1998-15 IRB 15). Revenue Procedure 2000-12 was published in the Internal Revenue Bulletin on January 24, 2000 (2000-4 IRB 387). Revenue Procedure 2000-12 supercedes and obsoletes Revenue Procedure 98-27. Revenue Procedure 2000-12 modified by Announcement 2000-50, Revenue Procedure 2003-64, Revenue Procedure 2004-21, and Revenue Procedure 2005-77. Revenue Procedure 2000-12 was published in the Internal Revenue Bulletin on January 24, 2000 (2000-4 IRB 387). Announcement 2000-50 was published in the Internal Revenue Bulletin on May 8, 2000 (2000-19 IRB). Revenue Procedure 2003-64 was published in the Internal Revenue on August 11, 2003 (2003-32 IRB). Revenue Procedure 2004-21 was published in the Internal Revenue Bulletin on April 5, 2004 (2004-14 IRB). Revenue Procedure 2005-77 was published in the Internal Revenue Bulletin on December 19, 2005 (2005-51 IRB). We received no comments during the comment period in response to the Federal Register Notice dated May 9, 2013 (78 FR 27297).

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

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the "Business Master File (BMF)" system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.046-Customer Account Data Engine Business Master File. The Department of Treasury PIAs can be found at <http://www.treasury.gov/privacy/PIAs/Pages/default.aspx>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

We estimate that approximately 3,000 persons will submit written applications, and that it will take approximately 1 hour, 20 minutes to complete each application on the average. **The total time estimate is 4,000 hours.**

A withholding agreement includes the QI's obligations to obtain beneficial owner statements or documentation and report (or otherwise make available) beneficial owner information to the IRS under the agreement. Most of the collections of information contained in the revenue procedure will be reflected on the QI's Form W-8, Form 1042 and Form 1042S (where necessary to be filed), and the accompanying statements to these forms. However, there are some instances where the collections of information are not included, or provided for, in one of the previously-mentioned forms. These collections of information are as follows:

The agreement requires a QI to provide any identifying information (e.g., name, address, or TIN) it may have regarding a U.S. payee that is required to, but does not, provide a Form 1099. We estimate that the QIs will have to provide this information for approximately 6,500 payees and that it will take approximately .25 hours to complete each submission of information. **The total time estimate is 1,625 hours.**

The agreement requires a QI to obtain certain certifications and/or representations from non-individual payees claiming treaty benefits. We estimate that 88,379 non-individuals payees will have to provide this information to the QIs, and that each occurrence would take approximately an average of .50 hours. **The total time estimate is 44,190 hours.**

The agreement requires a QI to maintain a record of the documentation received and reviewed for purposes of satisfying the terms of its withholding agreement. We estimate that the QIs will have approximately 1,000,000 occurrences for record retention and that it will take

approximately .25 hours per occurrence. **The total time estimate is 250,000 hours.**

The agreement requires a QI (who does not assume primary withholding responsibility) to provide sufficient information to a withholding agent so that the withholding agent can make adjustments for any over-and-under withholding. We estimate that there will be approximately 100 QIs in this situation and that it will take approximately 12 hours per QI to provide this information. **The total time estimate is 1,200 hours.**

The agreement requires a QI to give notice of termination to the IRS if it wishes to terminate the agreement. We estimate that approximately 12 QIs will submit this notification, and that it will take approximately .25 hours. **The total time estimate is 3 hours.**

**TOTAL BURDEN: 301,018 hours**

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 May 9, 2013 (78 FR 27297), 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

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

There are no changes go the paperwork burden previously approved by OMB. This submission is 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 that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulations 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.

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.