

SUPPORTING STATEMENT

Forms 8957 & 8966

15744. 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.

15745. 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).

Form 8966 is for reporting purposes and is to be filed by foreign financial institutions to report foreign reportable amounts paid to their current account holders that are nonparticipating FFIs. Form 8966 is further to be filed by a withholding agent to report US owners of certain foreign entities regarding withholdable payments made to these entities.

15746. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We intend to offer electronic filing on Form 8957 and Form 8966.

15747. EFFORTS TO IDENTIFY DUPLICATION

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

15748. 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.

We will publish a notice in the Federal Register in the near future to solicit public comments on Form 8966.

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	260,000	8 hrs., 8 min.	2,116,400
Form 8966	4,636,800	25 min.	1,947,456
Total	4,896,800		4,063,856

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

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 forms is \$1,300,000.

15. REASONS FOR CHANGE IN BURDEN

We are adding a new form to this collection. This results in an additional 4,636,800 filers with a net burden increase of 1,947,456 hours.

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.

EMERGENCY JUSTIFICATION

Form 8957 is an OMB approved registration form. Form 8966 is a new form related to the 8957, in which FFI data must actually be reported by January 1. Failure to approve Form 8966 will lead to undue adverse hardship for these filers.