

**SUPPORTING STATEMENT
(IRS Forms 1042, 1042-S and Form 1042-T)**

CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

In general, section 871 of the Internal Revenue Code imposes a 30% tax on income not effectively connected with a U.S. trade or business. Sections 1441 and 1442 require payers of income to nonresident aliens, foreign partnerships, and foreign corporations to deduct and withhold this tax. Section 1461 states that any person required to deduct and withhold this tax, is also liable for such tax. Withholding agents use Form 1042 to report tax withheld at source and deposited for foreign payees, if such withholdings are reported to the payee on Form 1042-S. Also, the form is used to transmit Forms 1000 and 1042-S to the IRS.

Withholding agents use Form 1042-S, an information return, to report certain income and tax withheld at source to foreign payees.

Withholding agents use Form 1042-T to transmit Forms 1042-S to the IRS.

2. USE OF DATA

The IRS uses this information to verify the income paid and that the correct amount of tax was withheld and paid to the United States. The data is also used to make reports to foreign governments as required under the tax treaties between various foreign countries and the United States.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Filers of 250 or more Forms 1042-S are required to submit them on magnetic media. Certain filers are required to use EFTPS for payments of tax withheld made during the year and all filers may do so.

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

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 are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Forms 1042, 1042-S and 1042-T.

In response to the **Federal Register Notice dated September 2, 2014 (79 FR 52114)**, we received no comments during the comment period regarding Forms 1042, 1042-S and 1042-T.

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 Internal Revenue Service PIAs can be found at <http://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

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

The burden estimate is as follows:

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 1042	36,400	18.05	657,020
Form 1042-S	3,525,300	.58	2,044,674
Form 1042-T	<u>19,500</u>	.20	<u>3,900</u>
	3,581,200		2,705,594

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

We have reviewed the following regulations and have determined that the reporting requirements contained in them are entirely reflected on Forms 1042, 1042-S, and 1042-T. The justification appearing in Item 1 of this Supporting Statement applies to both these regulations and to Forms 1042, 1042-S, and 1042-T. Please continue to assign OMB number 1545-0096 to these regulations:

1.871-1	1.1441-5(b)	1.1461-3
1.1221-4(g)	1.1441-5(c)	1.1461-4
1.1441-3(d)(2)	1.1442-4(d)(3)	31.3401(a)(6)
1.1441-4(b)(2)	1.1443-1(b)(2)	1.6011-1(c)
1.1441-4(d)(2)	1.1443-1(b)(3)	1.6049-4
1.1441-4(f)(2)	1.1443-1(b)(4)	1.6049-5
1.1441-4(i)(2)	1.1445-8	1.6414-1
1.1441-5(a)	1.1461-2	

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal register notice dated September 2, 2014, 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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution, and overhead for Forms 1042 and 1042-S is \$178,653. The additional cost of printing Form 1042-T is estimated at \$1,500.

15. REASONS FOR CHANGE IN BURDEN

There is no change to the burden previously approved by OMB. We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attachment.

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.

OMB EXPIRATION DATE

We believe the public interest will be better served by not printing an expiration date on the form(s) in this package.

Printing the expiration date on the form 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. Without printing the expiration date, supplies of the form could continue to be used.

The time period during which the current edition of the form(s) in this package will continue to be usable cannot be predicted. It could easily span several cycles of review and OMB clearance renewal. In addition, usage fluctuates unpredictably. This makes it necessary to maintain a substantial inventory of forms in the supply line at all times. This includes supplies owned by both the Government and the public. Reprinting of the form cannot be reliably scheduled to coincide with an OMB approval expiration date. This form may be privately printed by users at their own expense. Some businesses print complex and expensive marginally punched continuous versions, their expense, for use in their computers. The form may be printed by commercial printers and stocked for sale. In such cases, printing the expiration date on the form could result in extra costs to the users.

Not printing the expiration date on the form(s) will also avoid confusion among taxpayers who may have identical forms with different expiration dates in their possession.

For the above reasons we request authorization to omit printing the expiration date on the form(s) in this package.