

**SUPPORTING STATEMENT**  
**1545-1380**  
**(Form 1098)**  
**(TD 8571)**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 6050H of the Internal Revenue Code requires mortgagors to report mortgage interest, including points, of \$600 or more paid to them during the year by an individual on Form 1098.

Section 6050H was added to the Code to encourage compliance with the tax laws relating to the deductibility of mortgage interest, and authorizes the Secretary to require the reporting of certain information relating to payments of mortgage interest. Subsequent to the issuance of 26 C.F.R. 1.6050H-1, providing guidance for the information reporting of interest (other than points) under this statutory provision, Congress amended section 6050H (b) to require taxpayers subject to the mortgage interest reporting requirement to separately state on Form 1098 (provided to the Internal Revenue Service) the amount of points and the amount of interest (other than points) received during the taxable year on a single mortgage and to provide to the payor of the points a separate statement setting forth the information being reported to the Service. The regulations supplement the existing regulations by providing taxpayers with guidance regarding this statutorily mandated reporting requirement.

In addition, the regulations allow taxpayers who are subject to the information reporting requirement of section 6050H to voluntarily enter into a written agreement designating pursuant to which a third party will assume the information reporting requirement otherwise imposed on the designating party. Taxpayers subject to the reporting requirements of section 6050H and the regulations who choose to designate another person to fulfill this information reporting requirement are required by the regulations to retain a copy of the written designation agreement for a period of four years. Retention of this agreement is necessary for the Internal Revenue Service to determine which person has the information reporting requirement and thus is subject to applicable statutory penalties in the event of noncompliance. This written agreement does not have to be provided to the Internal Revenue Service.

Finally, the regulations provide that a recipient of mortgage points, in determining whether the points are being paid in connection with the payor's purchase of a principal residence, may rely on a signed, written statement from the payor stating that the points are being paid in connection with the purchase of a principal residence. This statement does not have to be provided by the reporting party to the Internal Revenue Service. Obtaining such a statement is entirely voluntary.

**2. USE OF DATA**

The form will be used by IRS to verify that taxpayers have deducted the proper amount of mortgage interest expense on their tax returns. It will also be used to verify that taxpayers have reported the proper amount of mortgage interest refunds in income on their tax returns.

The information required to be reported by the regulations will be reported to the Service on Form 1098, Mortgage Interest Statement. The information will also be reported to the homeowner-mortgagor that pays such points to the reporting party. The data will be used by the Service and the payor of record to determine if the payor of record may claim a deduction from gross income for an amount paid as points on a residential mortgage. The reporting of information described in the regulations is statutorily mandated.

**3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

We are currently offering electronic filing for Form 1098.

**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 burden on small businesses.

**6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

With less frequent collection, the IRS will not be able to promptly verify that taxpayers have deducted the proper amount of mortgage interest expense on their tax returns or that taxpayer have reported the proper amount of mortgage interest refunds in income on their tax returns.

**7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR.1320.5 (d) (2)**

There is no special circumstances requiring data collection to be inconsistent.

**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 Form 1098.

The notice of proposed rulemaking was published in the **Federal Register** on December 31, 1992 (57 FR 62526). No public hearing was requested or held. The final regulations were published in the **Federal Register** on December 8, 1994 (59 FR 63248). In response to the **Federal Register** Notice dated September 1, 2010 (75 FR 53737), we received no comments during the comment period regarding Form 1098.

In response to the **Federal Register Notice** dated **July 6, 2015 (88 FR 38512)**, we received no comments during the comment period regarding TD 8571 (IA-17-90) (final).

**9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

No payment or gift is provided to respondents.

**10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns and tax information are confidential as required by 26 USC 6103.

**11. JUSTIFICATION OF SENSITIVE QUESTIONS**

The SSN is used to identify the taxpayer. 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.

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Filing Information Returns Electronically, FIRE Individual Master file” and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS PIA ID Number: 997. The IRS PIAs can be found at <http://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

The collection of information is in section 1.6050H-1(b) and section 1.6050H-2(b) of the regulations. Under these provisions, the reporting requirement is satisfied by including the additional information on a Form 1098 filed with the Service and on a copy of Form 1098 (or a substitute Form 1098) furnished to the payor of record. The burden for filing Form 1098 and the copy of Form 1098 (or substitute Form 1098) is already reflected in the burden estimates for Form 1098.

Section 1.6050H-1(f)(1)(iv) of the regulations provides that in determining whether the payment of points is properly reported on Form 1098 as having been paid for the acquisition of the payor's principal residence, the reporting party may, but is not required to, obtain a signed written statement from the payor stating that the dwelling will be used as a principal residence. It is estimated that 31,348 lenders will be affected, and that each lender will receive and record 20 written statements. Obtaining and recording each document will require approximately 0.1 hour, for a total estimated reporting burden of 62,696 hours.

Section 1.6050H-2(d)(3) of the regulations provides that a recipient of mortgage points that must be reported in accordance with section 6050H of the Code and the regulations may voluntarily enter into a written designation agreement with a qualified third party pursuant to which the third party will assume the responsibility for complying with the reporting obligation. The designating party under such a voluntary designation agreement will be required to retain a copy of the written designation agreement for four years. Retention of this record is required for the Internal Revenue Service to verify that the reporting responsibility was properly delegated to a third party. It is estimated that 6,296 respondents will each prepare 100 designation agreements annually, and that each agreement will require approximately 0.25 hours to prepare, for a total estimated reporting burden of 157,400 hours. It is estimated that 6,296 designating parties will spend 0.1 hour retaining a copy of 100 designation agreements, for a total estimated recordkeeping burden of 62,960 hours. The total burden per TD 8571 is 283,015 hours.

	Number of	Hours per	Total
		Responses	
		Response	Hours
		Hours	
Form 1098		66,989,155	.12
		8,038,699	
TD 8571	94,044	283,015	
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		8,321,714	

**13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

There is no estimated annual cost burden to respondents.

**14. ESTIMATED ANNUAL COST TO THE FEDERAL GOVERNMENT**

The primary cost to the government consists of the cost of printing this form. We estimate that the cost of printing the Form 8834 is \$133,899.

**15. REASONS FOR CHANGE IN BURDEN**

The change in the burden previously approved by OMB resulted from combining the ICs for form 1098 and TD 8571 under one OMB control number.

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

There is no plan for tabulation, statistical analysis and publication.

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

**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, at 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.**

**18. EXCEPTION TO THE CERTIFICATION STATEMENT.**

There is no exception to the certification statement.

**Note:** The following paragraph applies to all 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 U.S.C. 6103.