

Supporting Statement
OMB# 1545-1502
(Forms 5304-SIMPLE, 5305-SIMPLE, and Notice 98-4)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1421 of the Small Business Job Protection Act of 1996 established the savings incentive match plan for employees of small employers (SIMPLE plan) under Code section 408(p). Contributions to a SIMPLE plan are made to individual retirement accounts or annuities (SIMPLE IRAs) that are established pursuant to the SIMPLE plan adopted by the employer.

Under Code sections 408(1) & (p), an employer that maintains a SIMPLE plan must notify each eligible employee of the employee's opportunity to enter into a salary reduction agreement or to modify a prior agreement, to select his or her own SIMPLE IRA (or if the employer makes all contributions to a designated financial institution, to transfer his or her balance to another financial institution without cost or penalty), and the employer's election, if any, to make a reduced matching contribution or a nonelective contribution in lieu of a matching contribution. In addition, the employer must provide each employee with a summary plan description. An employee who elects to participate in the SIMPLE plan must notify the employer of his or her election, and if applicable, the IRA he or she has selected.

Under Code sections 408(i)&(1), the trustee of a SIMPLE IRA must provide the employer maintaining a SIMPLE plan with a summary plan description each year. In addition, the trustee must provide each SIMPLE IRA participant with an annual account statement.

Notice 98-4 provides guidance for employers and trustees regarding how they can comply with the notification and reporting requirements described above. In addition, the notice informs employers who establish SIMPLE plans without using a designated financial institution that they also may use Form 5305-SIMPLE, subject to certain modification.

Form 5304-simple is a model SIMPLE IRA agreement that was created to be used by an employer to permit employees who are not using a designated financial institution to make salary reduction contributions to a SIMPLE IRA described in section 408(p) of the Internal Revenue Code.

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2. USE OF DATA

The data is used to verify the following information: (1) that the employer has a qualified SIMPLE plan; (2) that the employer may deduct contributions to the SIMPLE IRAs associated with such plan on the employer's income tax return; and (3) that contributions made to the SIMPLE plan on behalf of employees are not includible in income. In addition, the data is used to provide employees with the information they need to make salary reduction contributions and to withdraw or transfer contributions made on their behalf.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans at this time to offer electronic filing because of the low volume compared to the cost of electronic enabling.

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

There are no methods to minimize burden on small businesses or small entities.

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

Consequences of less frequent collection on federal programs or policy activities would result in inaccurate data used to provide employees with the information they need to make salary reduction contributions and to withdraw or transfer contributions made on their behalf.

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

No special circumstances requiring data collection to be

inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

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 5304-SIMPLE, 5305-SIMPLE, and the reporting requirements described above.

In response to the *Federal Register* notice (80 FR 70882), dated November 16, 2015, we received no comments during the comment period regarding Form Forms 5304-SIMPLE, 5305-SIMPLE, and Notice 98-4.

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

No payment or gift has been provided to respondents.

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 "Individual Master File (IMF) and Business Master File" systems and a Privacy Act System of Records notice (SORN) has been issued for this system under: Treas/IRS 24.030 CADE Individual Master File, Treas/IRS 24.046 BMF Business Master File and Treas/IRS 34.037 IRS Audit Trail and Security Records System. The Internal Revenue Service PIAs can be found at <https://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

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 5304-SIMPLE		100,000	
		6.40	640,000
Form 5305-SIMPLE		200,000	6.99
		1,398,000	
Notice 98-4	<u>300,000</u>	.25	<u>75,000</u>
600,000	2,113,000		

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

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There are no estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services provided to respondents.

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 these forms is \$46,534.

15. REASONS FOR CHANGE IN BURDEN

There are no changes to the paperwork burden previously approved by OMB. We are making this submission for renewal purposes only.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attachment.

18. EXCEPTION TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

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.