**Supporting Statement**

**OMB Control Number 1545-XXX**

**Certified Professional Employer Organization (CPEO)**

Form 14737--Request for Voluntary IRS Certification of a Professional Employer Organization

Form 14737-A--CPEO Responsible Individual Personal Attestation

**1. Circumstances necessitating collection of information**

Information is being collected as a result of new legislation (section 206 of the Achieving a Better Life Experience (ABLE) Act passed Dec. 19, 2014) creating the Certified Professional Employer Organization (CPEO) designation. This new information collection consists of creation of new forms: Form 14737, Request for Voluntary IRS Certification of a Professional Employer Organization (Application), and Form 14737-A, CPEO Responsible Individual Personal Attestation. The forms will only be used by program applicants and related responsible individuals. The accompanying Regulations and Revenue Procedures are currently in draft form and not yet published.

**2. Use of data**

The application, attestation and supporting information will be used by IRS to qualify professional employer organizations to become and remain a Certified Professional Employer Organization, which entitles them to certain tax benefits. This certification is renewed annually and the CPEO will submit annual and quarterly financial statements in addition to supporting documentation. Responsible individuals will submit annual attestation forms and fingerprint cards. The burden for the requirement for quarterly financial information will be in the regulations. The annual renewal/certification form by which the information will be reported to the IRS on an ongoing basis is still in the initial stages of development.

**3. Use of improved information technology to reduce burden**

We are working to obtain all of the required applications, attestations and supporting documentation electronically via a web-based application to minimize the paperwork burden on taxpayers. We are working to have annual fees collected via [www.pay.gov](http://www.pay.gov/) to reduce paperwork and time. The anticipated volume of applicants for this program is very small, approximately 350 over the initial 3 years.

**4. Efforts to identify duplication**

This is a new program required by new legislation, so there is no duplication of existing programs.

**5. Methods to minimize burden on small businesses or other small entities**

We have attempted to minimize burden on small businesses. However, all applicants are subject to the same requirements to obtain certification.

**6. Consequences of less frequent collection on federal programs or policy activities**

Less frequent collection will compromise the Agency's ability to adequately determine the suitability of the CPEO applicant to meet their responsibilities for the program including tax compliance. Tax compliance is a vital part of the government's ability to meet its' mission and serve the public.

**7. Special circumstances requiring data collection to be inconsistent with guidelines in 5 CFR 1320.5(0) (2)**

There are 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**

Discussions occurred between IRS and National Association of Professional Employer Organizations (NAPEO) as well as individual state CPEO programs for industry standards to assist in creation of the IRS CPEO program.

**9. Explanation of decision to provide any payment or gift to respondents**

No payment or gifts are being 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**

Self attestation questions are of a public record nature and are not considered sensitive. As part of the background and suitability check, responsible individuals must provide fingerprints for a FBI background check.

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 & Civil Liberties Impact Assessment (PCLIA) is pending approval for information collected under this request as part of the “Certified Professional Employer Organization and 501(c)(4) Registration, CPEO & 501 (c)(4), and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS PCLIA ID Number 1699.

A website for the CPEO program is under construction. The following statement will be posted on the application and the website.

**Certification of Professional Employer Organization Application Privacy Act and Paperwork Reduction Act Notice**

We are requesting this information to certify Professional Employer Organizations. Our legal authority to collect this information is Sections 6109 and 7705 of the Internal Revenue Code. Providing the information is voluntary, but if you provide incomplete or no information it may delay or prevent processing of this application; providing false or fraudulent information may subject you to penalties. Although we do not anticipate it at this time, we may disclose the information to a contractor who is bound to follow applicable confidentiality provisions as required by law and the contract if necessary for efficiency and improving our service to you.

The estimated average time to complete this form is 20 minutes. This average includes all associated forms. If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we will be happy to hear from you. You can write to the Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224. Do not send your application to this address.

12. **Estimated burden of information collection**

**Form 14737---CPEO Application (annual):**

Includes gathering information to complete application, submitting the application, paying the user fee, compiling and submitting quarterly financial statements, securing a surety bond. Annual audited financial statements are not included as those are considered a customary business practice.

***Year 1 (2017): 250 applicants, 200 hrs. each = 50,000 hrs.***

**Form 14737-A---Responsible Individual Personal Attestation form (annual):**

Includes gathering information to submit the form, form submission, securing fingerprint card, being fingerprinted and sending card to IRS.

***Year 1 (2017): Assume 4 Responsible Individuals (RI) per CPEO Applicant (250 x 4 = 1000 RIs); 1000 RIs x 40 hrs. = 40,000 hrs.***

Estimated Taxpayer Burden for Year 2017

|  | Respondents | Time Per Respondent | Total  Hours |
| --- | --- | --- | --- |
|  |  |  |  |
| Form 14737 | 250 | 200 hrs. | 50,000 |
| Form 14737-A | 1,000 | 40 hrs. | 40,000 |
| Total | 1,250 |  | 90,000 |

13. **Estimated total annual cost burden to respondents**

The annual cost burden is estimated to be at least $1000. This estimate is associated with the application fee when using Forms 14737 and 14737-A. Costs for complying with the regulations is not included.

**14. Estimated annualized cost to the federal government**

The annualized cost to the federal government is undetermined as program staffing and costs have not been estimated at this time.

**15. Reasons for change in burden**

This is a new information collection.

**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**

Displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of OMB approval and obtain a new expiration date, before the old one expires.

**18. Exceptions to the certification statement**

There are no exceptions to the certification statement.

**19. Reason for emergency submission**

The ABLE Act provided that IRS begin accepting applications by July 1, 2015. There was not sufficient time from the date of law enactment to implementation (6 months) for IRS to create a program to meet that deadline. The Commissioner has advised Congress that IRS will begin accepting applications July 1, 2016 with certifications to begin Jan. 1, 2017.

To meet this deadline, Regulations and Revenue Procedures, which are still in draft form, must be published by May 1 to meet the 60-day deadline for public comments prior to implementation.

In addition, the CPEO Application and Responsible Individual Personal Attestation forms are in draft status as they are subject to the final Regulations and Revenue Procedures.