

OMB Control Number 1545-0052
SUPPORTING STATEMENT
(IRS Form 990-PF and Form 4720)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Tax Reform Act of 1969 provides definitions for certain kinds of charitable, tax exempt organizations. The Act also sets out certain penalty taxes in IRC Chapter 42 that apply to private foundations (defined in section 4947(a)(1)), and officers and other persons connected with these organizations (defined in Chapter 42). In addition to the penalty taxes, there are taxes on the net investment income of domestic foundations and nonexempt charitable trusts (under section 4940) and foreign private foundations (under section 4948).

Section 6033 of the Code requires organizations exempt from Federal income tax under section 501(a) and described in section 501(c) to file annual information returns giving very specific information on their finances and operations. Public Law 96-603 applies the filing requirements for exempt private foundations to taxable private foundations and to nonexempt charitable trusts. Form 990-PF is the annual return required by section 6033. Section 6033, as modified by Public Law 96-603, allows nonexempt charitable trusts to meet their filing requirements under section 6012 by filing Form 990-PF in lieu of Form 1041 when they have no taxable income.

Section 6011 requires the above organizations and the persons described in Chapter 42 to file a return reporting any violations of chapter 42 and paying the tax on the act or acts. Form 4720 is the required return.

It is anticipated that a subset of Form 4720 filers will complete Schedule I of the form; this schedule is for applicable organizations to list any excess benefit transactions that provide an excess benefit to a disqualified person.

2. USE OF DATA

Form 990-PF is used by the IRS to monitor the activities of private foundations, nonexempt charitable trusts, and their officers and other related persons. All private foundations and nonexempt trusts treated as private foundations are required to file a Form 990-PF every year. If a foundation or related party engages in a prohibited act they are required to so state and to furnish information relating to the act on the Form 990-PF.

Form 4720 is used by foundations and/or related persons(s) to report prohibited activities in detail and pay the tax on them.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing. IRS forms, publication, regulations, notices

and letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998.

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 and other small entities.

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

We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure taxpayers are complying with the laws, and to allow us to figure and collect the right amount of tax or penalties.

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

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 990-PF and 4720.

In response to the *Federal Register* notice (81 FR 27191), dated May 5, 2016, we received 1 comment during the comment period regarding Forms 990-PF and 4720.

Comment received from Dennis Fixler, Chief Economist at US Department of Commerce dated June 17th, 2016 conveys the department's strong support for this information collection. The comment does not require a response.

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

No payments or gifts are being provided.

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

No personally identifiable information is being collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden estimate is as follows:

| <u>Form Responses</u> | <u>Number of Response</u> | <u>Time per Hours</u> | <u>Total</u> |
|-------------------------|---------------------------|-----------------------|-------------------|
| 990-PF | 54,000 | 203.05 | 10,964,700 |
| 4720 | 900 | 98.71 | 88,839 |
| *Schedule I (Form 4720) | <u>100</u> | 10.98 | <u>1,098</u> |
| TOTAL | 55,000 | | 11,054,637 |

* It is anticipated that a subset of Form 4720 filers will complete Schedule I of the form; this schedule is for applicable organizations to list any excess benefit transactions that provide an excess benefit to a disqualified person.

Reporting Regulations:

- 1.170A-9(h)
- 1.507-2(b)(3)
- 1.509(a)-4
- 1.6011-4(b)(3) and (4)
- 53.4940-1(c)(1)
- 53.4941(d)-3
- 53.4941(d)-4
- 53.4942(a)-2(c)(2)
- 53.4942(a)-2(c)(4)(i)(b)
- 53.4942(a)-2(c)(4)(i)(c)
- 53.4942(a)-2(c)(4)(iv)(b)
- 53.4942(a)-2(d)(1)
- 53.4942(a)-2(d)(2)
- 53.4942(a)-3(c)(2)

53.4942(a)-3(b)(7)(ii)
53.4942(a)-3(d)
53.4942(a)-3(e)(1)
53.4942(a)-3(e)(2)
53.4942(b)-1(a)(2)
53.4942(b)-1(b)(2)
53.4942(b)-1(d)
53.4945-2
53.4945-5
53.4948-1(b)
301.6033-4

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There is no estimated total annual cost burden to respondents.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

After consultations with various functions with the Service, we have determined that the cost of developing, printing, processing, distribution, and overhead for Form 990-PF is \$23,104 and for Form 4720 is \$2,516. Total= \$25,620.

15. REASONS FOR CHANGE IN BURDEN

There are no changes 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

There are no plans for tabulation.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION 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. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions.

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.