

**Supporting Statement**  
Interest Charge on DISC-Related Deferred Tax Liability (Form 8404)  
**OMB # 1545-0939**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

IRC section 995(f) requires the shareholders of Interest Charge Domestic International sales Corporations (IC-DISCs) to pay an interest charge on their DISC-related deferred tax liability. §1.991-1 thru §1.997-1 cover [Domestic International Sales Corporations](#).

Form 8404 was developed to help the shareholders (individuals, corporations, estates, or trusts) in figuring the interest charge as outlined in [§1.995-1](#). The interest charge is based on the shareholder's deferred tax liability that results from the shareholders including his or her share of the IC-DISC income in his or her tax return for the year.

**2. USE OF DATA**

The IRS uses Form 8404 information to verify that shareholders of the IC-DISC have correctly figured and paid the section 995(f) interest charge.

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

Form 8404 cannot be filed electronically, since its low volume does not justify 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 small entities affected by this collection.

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

The consequences for not collecting this information are that shareholders will not be able to clearly determine interest charge. The interest charge is based on the shareholder's deferred tax liability that results from the shareholders including his or her share of the IC-DISC income in his or her tax return for the year. Form 8404 was developed to help the shareholders (individuals, corporations, estates, or trusts) in figuring the interest charge. Failure to provide

and collect this information will affect taxpayer confidence and compromises the Agency's ability to enforce tax compliance effort to the public. 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(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 Form 8404.

In response to the **Federal Register** notice dated May 18, 2016, (81 FR 31306) we received no comments during the comment period regarding Form 8404.

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

No payment or gift has been provided to any 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 "Business Master File, BMF" system and a Privacy Act System of Records notice (SORN) has been issued for this system under:

Treas/IRS 24.046 BMF

Treas/IRS 34.047 Audit trail and security records system

The Internal Revenue Service PIA's 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 below is for completing the Form 8404 only.

<u>Form</u>	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total</u>	<u>Hours</u>
8404			2,000	7.79
				15,580

This burden is for Non-Individual (non-Form 1040), filers only.

Burden associated with Business Filers is reported under OMB # 1545-0123.

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

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0939 to these regulations.

1.995-1  
1.921-1T

## 13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated May 18, 2016, (81 FR 31306), 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 responses from taxpayers on this subject. As a result, estimates of these cost burdens are not available at this time.

## 14. ESTIMATED ANNUALIZED 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 is \$288.

**15. REASONS FOR CHANGE IN BURDEN**

There is no change in the paperwork burden previously approved by OMB. This form is being submitted 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 obsoleted 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.**