

SUPPORTING STATEMENT

Health Coverage Tax Credit (HCTC) Advance Payments (Form 1099-H)
1545-1813

21344. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 6050T requires that if you are a provider of qualified health insurance coverage (defined in section 35(e)) and you receive advance payments from the Department of the Treasury on behalf of eligible recipients pursuant to section 7527, you must file Forms 1099-H to report those advance payments. You must also furnish a statement reporting that information to the eligible recipient.

21345. USE OF DATA

The data reported on this form will be used by the Internal Revenue Service to verify the advanced payments received by the provider. The form will also be used by eligible taxpayers in computing the Health Coverage Tax Credit (Form 8885), on the taxpayers annual tax return.

21346. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS is currently offering electronic filing on Form 1099-H.

21347. EFFORTS TO IDENTIFY DUPLICATION

IRS has attempted to eliminate duplication within the agency wherever possible.

21348. 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 the IRS will not be able to clearly verify the qualified health insurance coverage (defined in section 35(e)) received by providers through advance payments from the Department of the Treasury on behalf of eligible recipients pursuant to section 7527 was properly allocated. Failure to issue the Form 1099-H to taxpayers (recipients) will complicate the taxpayer's ability to calculate the proper Health Coverage tax credit. This affects taxpayer confidence and compromises the Agency's ability to enforce the proper tax laws. 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**

Section 35 was originally enacted by the Trade Act of 2002, Pub. L. 107–210 (August 6, 2002), was amended multiple times, and expired at the end of 2013. However, § 35 was reinstated, modified, and extended through 2019 by the Extension Act.

Revenue Procedure 2004-12 (approved under 1545-1875), provides guidance on how a state elects a health program to be qualified health insurance for purposes of the health coverage tax credit (HCTC) under section 35 of the Internal Revenue Code.

Notice 2005–50, 2005–2 C.B. 14, provides guidance on various issues relating to the HCTC, including information about eligibility for the HCTC, qualifying health coverage for purposes of the HCTC, and computation of the HCTC.

Notice 2016-2 provides guidance regarding the health coverage tax credit (HCTC) under § 35 of the Internal Revenue Code, as modified by the Trade Preferences Extension Act of 2015, Pub. L. 114–27 (June 29, 2015) (Extension Act). Taxpayers may continue to rely on Notice 2005–50, except as provided in Notice 2016-2 (2016-2 I.R.B. 265).

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 1099-H.

In response to the Federal Register notice dated June 10, 2016, (81 FR 37667), we received no comments during the comment period regarding Form 1099-H.

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 Internal Revenue Service develops forms and instructions that explain the requirements of the Internal Revenue Code and regulations. The burden estimate reported under this approval number is related to completing the actual form by the providers of qualified health insurance coverage (defined in section 35(e)) only:

	per	Total	Number of Responses	Time
			<u>Response</u>	<u>Hours</u>
Form 1099-H		49,000	.30	14,700

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** notice dated June 10, 2016, 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 response from taxpayers on this subject. As a result, estimates of the 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 Form 1099-H. We estimate that the cost of printing the form is \$5,500.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. However, the estimated number of responses is being decreased by 61,000 as a result of updated filing estimates.

We are making this submission to renew the OMB approval.

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. EXCEPTIONS 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.