

SUPPORTING STATEMENT
Internal Revenue Service
Employer's Quarterly Federal Tax Return
(IRS Forms 941, 941-PR, 941-PR, 941-X,
941X-PR), 8974, and appropriate Schedules)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 3102 of the Internal Revenue Code requires employers to deduct social security and Medicare taxes imposed by section 3101(a) and (b) of the Code from the wages of employees. Code section 3111(a) and (b) requires employers to pay social security and Medicare taxes on wages paid to employees. Code section 3402(a) requires employers to deduct the income tax imposed by the section from employees' wages. Code section 3405 requires payers of pensions, annuities, and certain other deferred income to withhold income tax from most payments. Section 3501 of the Code states that all these taxes will be collected by the Secretary and paid over to the U.S. Treasury.

Section 3406 of the Code requires certain payers to withhold 31% of reportable payments if payees fail to furnish payers with the correct taxpayer identification number.

Section 6011 of the Code and sections 31.6011(a)-1, and 31.6011(a)-4 of the Employment Tax Regulations require employers to report (1) wages subject to income tax withholding and social security and Medicare taxes; (2) amounts withheld for income tax; and (3) the employee and employer share of social security and Medicare taxes.

Sections 31.6302(c)-1, 2, & 3 of the regulations require employers to deposit the withheld income tax with an authorized depository within specified time limits.

Form 941 is used to report social security and Medicare taxes and income tax withholding. The deposits or payments of these liabilities are also reported on the form. For payments made after December 31, 1993, nonpayroll income tax withholding will no longer be reported on Form 941. These nonpayroll items include backup withholding and withholding on pensions, annuities, IRAs, military retirement, and gambling winnings. This nonpayroll withholding will be reported on Form 945, Annual Return of Withheld Federal Income Tax.

Form 941-V, Form 941 Payment Voucher, will be filed with Form 941 by those taxpayers who submit a payment with their return. Only those taxpayers who have a total tax liability of under \$500 for the year or who are making a payment under the safe haven deposit rule for monthly depositors are entitled to make payments with the return.

Form 941-PR, for use in Puerto Rico, is a specialty form for reporting only social security and Medicare taxes since employers in Puerto Rico locations are not required to withhold U.S. income tax from employees' wages.

Form 941-SS, for use in Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands, is a specialty form for reporting only social security and Medicare taxes, since employers in these locations are not required to withhold U.S. income tax from employees' wages.

Schedule B (Form 941) and Schedule B (Form 941-PR) are used by taxpayers subject to semiweekly deposit requirements under the deposit rules (Reg. 31.6302).

Schedule D (Form 941) is used to address matching problems associated with Forms W-2 and Form 941.

Schedule R (Form 941) is used to identify the individual taxpayers and their related tax liabilities for which an aggregate payment is being made on Form 941 for the quarter in which this Schedule R (Form 941) is attached.

Form 941-X and Form 941-X(PR) are used by employers who discover they under or over withheld income taxes from wages or social security or Medicare tax in a prior quarter. Form 941-X is used to report those taxes and either; make a payment, claim a refund, or request abatement.

The Protecting Americans from Tax Hikes (PATH) Act allows a qualified small business to elect a portion of the research credit against payroll taxes. Internal Revenue code section 3111(f) allows the amount of the credit for the quarter up to the total amount of the employer's share of the social security tax. Any unused credit can be carried forward to the next quarter. The Form 8974 was developed to determine the portion of the elected amount that can be claimed for the quarter on the Form 941.

2. **USE OF DATA**

The data is used by the IRS to verify that the correct taxes have been paid. Some of the data is used by the Bureau of the Census for statistical purposes. The Social Security Administration uses some of the social security and Medicare tax data for trust fund accounting and estimating purposes.

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

We are currently offering electronic filing on Forms 941, 941-PR, 941-SS, 941-X, 941-X(PR), Schedule B (Form 941 and Form 941-PR), Schedule D, Schedule R (Form 941), and 8974.

4. **EFFORTS TO IDENTIFY DUPLICATION**

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

5. **METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

This collection of information will not have a significant impact on a substantial number of small businesses or other entities.

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

A less frequent collection will not allow the IRS to determine the correct taxes paid and the cumulative amount of research credit an employer has available to take against their employer share of payroll taxes and whether or not the amount of credit an employer is taking is available for them to take.

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**

a. Periodic meetings are held between Service personnel and representatives of the American Institute of Certified Public Accountants, the American Payroll Association and other professional groups to discuss improvements to the tax forms. In addition, we receive comments from other interested outside groups and from individuals.

b. Advance proofs of Forms 941 are made available through the IRS website.

c. We send copies of the draft forms to representatives of the Social Security Administration for their review and comments.

In response to the Federal Register Notice dated May 8, 2017 (82 FR 21455), we received no comments during the comment period regarding Form 941, 941-PR, 941-SS, 941-X, 941-X(PR) or associated schedules.

In response to the Federal Register notice dated May 8, 2017 (82 FR 21455), we received one comment during the comment period regarding Form 8974.

The National Association of Professional Employer Organizations (CPEO) provided some suggestions to revising the Form 8974 including fields specific to CPEOs. They request clarification in the areas relating to amendments and audits. Additionally, the National Association of Professional Employer Organizations would like to include a field that shows the

tax credit available for future periods.

The comments will be taken into consideration as IRS works on future revisions of the form.

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

No payment or gift will be 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 IRS 24.046-Customer Account Data Engine Business Master File. 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.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

The burden estimation is as follows:

Authority	Form	Number of Responses	Time per response	Total Burden
IRC § 3102	Form 941	23,841,096	15.72	374,782,029
IRC § 3406	Sch. B (941)	6,486,680	2.880000092	18,681,639
IRC § 3102	Sch. D (941)	10,000	12.52	125,200
IRC § 3102	Sch. R (941)	6,500	13.04	84,760
IRC § 3501	941-V	8,000,000	0.386	3,088,000
IRC § 3102	Form 941-PR	129,263	11.79	1,524,011
IRC § 3102	Sch. B (941-PR)	32,423	2.88	93,379
IRC § 3501	941-V(PR) (OTC)	2,000	0.97	1,940
IRC § 3501	941-V(PR)(Prep)	85,000	0.24	20,400
IRC § 3102	+Form 941-SS	33584	11.300023	379,500
IRC § 3501	941-SS-V (OTC)	30,000	0.97	29,100
IRC § 3501	941-SS-V (Prep)	10,000	0.24	2,400
IRC § 3102	Form 941-X	100,000	19.5	1,950,000
IRC § 3102	Form 941-X(PR)	75,000	16.1	1,207,500
IRC § 3111	Form 8974	20,000	2.75	55,000
	TOTAL	38,861,546		402,024,858

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

The following are related regulations which impose no additional burden. Please continue to assign OMB number 1545-0029 to these regulations.

31.3306(C)(18)(1) 1.401(d) 31.6302-1,2,3
31.3401(a)-l(b)(12) 31.3102-3(c) 31.6413(a)-1
33.3401(a)(6)-1(d)(3) 31.3121(b)(19)-1 31.6414-1(a)
31.3401(a)(8)(c)(1) 31.3121(s)-1(a) Temp. Reg. 32.1,2
31.3401(h)(1)(2)(ii) 31.3404-1 36.3121(a)(10)-1
31.3402(h)(3)-1 31.6001-6 49.3121(1)(10)-3
31.3504-1(a) 31.6109 49.6109-1
36.3121(1)(10)-3(a) 31.6011(a)-1,4,6,7,8,9 601.401(a) 301.6316-7(b), (c)
31.6011(b)-2 31.6011 31.3121(a)-1 31.6053-1 31.6205-1

31.3401(a)1(b)(12) 31.6071(a)-1 31.3401(a)(8)(A)(2) 31.6011(a)-6(b)
 36.3121(L)(10)(3)

We have reviewed these regulations and have determined that the reporting requirements contained in them are entirely reflected on Forms 941, 941-PR, 941-SS, 941-X, 941-X(PR), and schedules. The justification appearing in Item 1 of the Supporting Statement applies both to these regulations and to the above listed forms.

13. **ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. **ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT**

The primary cost to the government consists of the cost of printing these forms. We estimate that the cost of printing these forms is \$12,235,028.

15. **REASONS FOR CHANGE IN BURDEN**

There has been an addition to burden from the previously approved burden by OMB. The Protecting Americans from Tax Hikes (PATH) Act allows a qualified small business to elect a portion of the research credit against payroll taxes. Internal Revenue code section 3111(f) allows the amount of the credit for the quarter up to the total amount of the employer's share of the social security tax. Any unused credit can be carried forward to the next quarter. The Form 8974 was developed to determine the portion of the elected amount that can be claimed for the quarter on the Form 941. The result of the addition of Form 8974 is an increase to the number of filers by 20,000 and overall increase in burden of 55,000 burden hours.

Additionally the PATH Act has added line items on the Forms 941-X and 941X-PR and has increased the time burden associated with the completion of the Forms by 1.96 and 2.26 hours respectively. The additional time needed to complete the Forms causes an increase in total burden of 196,000 and 147,000 hours , respectively.

The total changes due to the PATH Act are increase in filers of 20,000 and increase in burden hours of 398,000.

There are increases to the number of 941, Sch. B, 941-PR and 941-SS Forms filed so to present more accuracy the number of responses have been updated resulting in an increase of 1,031,083 filers and increased burden hours of 13,369,894 hours.

	Requested	Program Change	Program Change	Change Due to	Change Due to	Previously
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		Due to New Statute	Due to Agency Discretion	Adjustment in Agency Estimate	Potential Violation of the PRA	Approved
Annual Number of Responses	38,861,546	20,000	0	1,031,083	0	37,810,463
Annual Time Burden (Hr)	402,024,858	398,000	0	13,369,894	0	388,256,964

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

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

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

There are no exceptions to the certification statement for this collection.

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.