

## **SUPPORTING STATEMENT**

### **Internal Revenue Service**

Form 5498 Statements to recipients of dividend payments

OMB No. 1545-0747

#### **1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Internal revenue Code (IRC) section 408, *Individual retirement accounts*, provides that for purposes of this section, the term "individual retirement account" means a trust created or organized in the United States for the exclusive benefit of an individual or his beneficiaries, but only if the written governing instrument creating the trust meets the specific requirements. Section 408(i) requires trustees or issuers of individual retirement arrangements to make such reports, regarding such account, contract, or annuity to the Internal Revenue Service and to the individuals for whom the account, contract, or annuity is, or is to be, maintained with respect to contributions (and the years to which they relate), distributions aggregating \$10 or more in any calendar year, and such other matters. Regulations section 1.408-5, *Annual reports by trustees or issuers*, provides the guidance for a trustee of an individual retirement account or the issuer of an individual retirement annuity to make annual calendar year reports concerning the status of the account or annuity.

IRC section 6042, *Returns regarding payments of dividends and corporate earnings and profits*, outlines the rules for reporting income earned on payments of dividends and corporate earnings and profits. Regulations section 1.6042-4, *Statements to recipients of dividend payments*, outlines the requirement of how a person required to make an information return under section 6042(a)(1) and §1.6042-2 must furnish a statement to each recipient whose identifying number is required to be shown on the related information return for dividend payments.

IRS has provided guidance through various Treasury Decisions to comply with the tax laws outlined under IRC 408. The collection of information covered under this approval number is related to the burden associated with the guidance provided under 26 CFR 1.408-5 and 1.6042-4, more specifically the information reported on Form 5498, by the issuers to the recipients on payments of dividends and corporate earnings and profits.

#### **2. USE OF DATA**

The information is used by the Service to verify compliance with the reporting rules and to verify that the participant has made the contribution for which he or she is taking a deduction and that no excess contributions have been made. In addition, the fair market value is used to verify that the correct taxable part of an IRA distribution has been reported.

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

We are currently offering electronic filing for Form 5498.

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**

There are no small entities affected by this collection.

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

Section 408(i) requires trustees or issuers of individual retirement arrangements to make such reports, regarding such account, contract, or annuity to the Internal Revenue Service and to the individuals for whom the account, contract, or annuity is, or is to be, maintained with respect to contributions (and the years to which they relate), distributions aggregating \$10 or more in any calendar year, and such other matters.

Failure to collect the information will prevent the Service from verifying the compliance with the reporting rules, outlined in section 408(i), and to verify that the participant has made the contribution for which he or she is taking a deduction and that no excess contributions have been made.

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 5498.

In response to our Federal Register Notice dated March 7, 2017 (82 F. R. 12907), we received no comments during the comment period regarding Form 5498.

**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 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 <http://www.treasury.gov/privacy/PIAs/Pages/default.aspx>

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**

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC § 408	Form 5498	118,858,000	1	118,858,000	.41	48,731,780
Totals				118,858,000		48,731,780

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

As suggested by OMB, our Federal Register notice dated March 7, 2017, 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 ANNUAL COST TO THE FEDERAL GOVERNMENT**

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution and overhead for Form 5498 is \$73,149.

**15. REASONS FOR CHANGE IN BURDEN**

There is no change in the paperwork 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, statistical analysis and publication.

**17. REASONS WHY DISPLAYING THE OMB 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 statutes/regulation or Form 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. EXCEPTION TO THE CERTIFICATION STATEMENT**

There are no exceptions to the certification statement.

**Note:** The following paragraph applies to all 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 U.S.C. 6103.