

## **SUPPORTING STATEMENT**

### **Internal Revenue Service**

**Form 945: Annual Return of Withheld Federal Income Tax/Voucher;**

**Form 945-A: Annual Record of Federal Tax Liability;**

**Form 945-X Annual Return of Withheld Federal Income Tax, Claim, Refund;**

**TD8672; Reporting of Payroll withheld tax liabilities**

**OMB Control Number 1545-1430**

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

Code section 3402(o)(1)(B) requires employers to deduct the income tax imposed by the section from certain annuity payments. Section 3402(q) requires income tax withholding on gambling winnings. Code section 3402(r) requires income tax withholding on distributions of Indian gaming profits to tribal members. Section 3402 also requires income tax withholding on retirement pay for service in the Armed Forces of the United States. Code section 3405 requires payers of pensions, annuities, and certain other deferred income to withhold income tax from most payments. Code section 3501 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 payers to report amounts withheld for income.

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.

Non-payroll income tax withholding is reported on Form 945, Annual Return of Withheld Federal Income Tax. These non-payroll items include backup withholding and withholding on pensions, annuities, IRAs, military retirement, and gambling winnings and Indian gaming profits.

The deposit requirements for Forms 945 and employment tax

returns (e.g., Form 941) are separate, although the deposit rules for the two forms will be basically the same. Form 945 filers who deposit using the semiweekly deposit schedule will report their tax liabilities on Form 945-A, Annual Record of Federal Tax Liability.

Form 945-V, the Form 945 Payment Voucher, will be filed with Form 945 by those taxpayers whose total taxes for the year are less than \$2500 and paying in full with timely filed return, or a monthly schedule depositor making a payment in accordance with the Accuracy of Deposits Rule, under section 11 of publication 15.

Final regulations (TD 8672), relates to the reporting of nonpayroll withheld income taxes under section 6011 of the Internal Revenue Code. These regulations require a person to file Form 945, Annual Return of Withheld Federal Income Tax, only for a calendar year in which the person is required to withhold Federal income tax from non-payroll payments. TD 8672 is the regulation that is manifested in Form 945 in this collection and the associated burden is accounted for in the Form 945.

2. USE OF DATA

The data is used by the IRS to verify that the correct taxes have been paid.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

These forms are available electronically.

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 is no flexibility to reduce burden on small businesses or other small entities because the statutes apply to small businesses and small entities.

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

Consequences of less frequent collection on federal programs or policy activities would result in the Service unable to monitor compliance with the Federal tax rules related to the reporting and deposit of nonpayroll withheld income taxes under section 6011, thereby engendering the inability of the IRS to meet its mission.

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.

We received no comments during the comment period in response to the Federal Register notice dated August 30, 2017, (82 FR 41307).

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 social security numbers (SSNs) in IRS systems.

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

The burden estimate is as follows:

Authority	Description	Number of Respondents	Number Responses per Respondent	Annual Responses	Average Hours per Response	Total Burden
IRC §§ 3402 and 6011	Form 945/945-V	66,900	1	66,900	6.89 hrs.	460,941
IRC §§ 3402 and 6011	945-A	150,000	1	150,000	6.77 hrs.	1,015,500
IRC §§ 3402 and 6011	945-X	3,951	1	3,951	8.39 hrs.	33,149
Totals		220,851		220,851		1,509,590

The following regulations impose no additional burden. Please continue to assign OMB number 1545-1430 to these regulations.

- |                       |                 |
|-----------------------|-----------------|
| 31.3401(a)-1(b)(12)   | 31.6071(a)-1    |
| 31.6109-1             | 31.6413(a)-1    |
| 31.3401(a)(8)(A)(2)   | 31.6205-1       |
| 31.6001-6             | 31.6414-1(a)    |
| 31.6011(a)-6, 7, 8, 9 | 31.6302-1, 2, 3 |
| 31.6011(b)-2          | 31.6313(a)-1    |
| 31.3402(r)-1          |                 |

**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 costs of printing, the forms. We estimate that the costs of printing the forms are \$50,000.

15. REASONS FOR CHANGE IN BURDEN

Changes were made to the burden previously approved to update the estimated number of responses based on the most recent filing data. The annual number of responses requested is 220,851 (a decrease of (15,967) from the previously approved 236,818). No changes have been made to the form. The change in estimated responses results in an overall hourly decrease of 110,013 (current estimate is 1,509,590 and previously approved was 1,619,603). TD 8672 is the regulation that is manifested in Form 945 in this collection and the associated burden is accounted for in the Form 945.

	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	220,851	0	0	-15,967	0	236,818
Annual Time Burden (Hr)	1,509,590	0	0	-110,013	0	1,619,603

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

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.