

SUPPORTING STATEMENT
Internal Revenue Service
OMB # 1545-1517
Form 1099-SA

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 220(h) requires trustees to report to the IRS and medical savings account holders any amount paid or distributed out of a medical savings account to include any earnings on excess contributions.

2. USE OF DATA

The data will be matched by the IRS with the information reported on individual tax returns to determine whether amounts paid or distributed out of medical savings account is used exclusively to pay qualified medical expenses and therefore should not be included in gross income.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing for Form 1099-SA.

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

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

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

Reports to IRS about amount paid or distributed out of medical savings account will not be current as set forth by Section 220(h) and will hinder the IRS from meeting 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

In response to the **Federal Register Notice** dated April 17, 2018 (83 FR 16920), we received one comment during the comment period regarding Form 1099-SA.

The following response is by the IRS to a comment received by Ruth Ann Michnay on behalf of Twin Cities Tax Professional Discussions Group:

We suggest that this form and the reporting of distributions be required only if there is a taxable amount to be included in income.

IRS Reply: By statute, all distributions from health savings accounts (HSAs) must be reported on Form 1099-SA. The holder of the account is the only person who can determine if a distribution was used for a qualified medical expense, and therefore nontaxable, or for a nonqualifying medical expense, and therefore taxable. As Form 8889 is attached to Form 1040 or Form 1040NR, which is signed under penalties of perjury, only the account holder is the rightful party to be held liable for the taxable/nontaxable determination of the distribution.

We suggest that when trustee to trustee transfers occur the transfer amount be reported in a separate box, with a rollover code.

IRS Reply: We decline to accept this suggestion. Adding either a separate trustee-to-trustee rollover box or a rollover code would increase the burden on trustees, while the burden on the taxpayer would remain the same. Rollovers are properly reported by the account holder on Form 8889. Additionally, the trust account that receives a rollover distribution issues Form 5498-SA to the account holder to aid in his/her completion of Form 8889.

We suggest the HSA providers be required to collect data and report distributions used for non-qualified expenses.

IRS Reply: We decline to accept this suggestion. This would require legislative action- to make a 3rd party reporting agency (trustee) liable for errors and/or omissions on the part of a taxpayer's individual tax return.

We suggest the IRS provide additional education to taxpayers on the importance of the form to prevent nonreporting.

IRS Reply: The back of the recipient (Copy B) of Form 1099- with references to Form 8889 and Pub 969, Health Savings Accounts and Other Tax-Favored Health Plans. Pub 969 is available free from the IRS by visiting IRS.gov and entering "ordering forms" in the search box.SA contains reporting instructions

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

No payments or gifts are being provided.

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

There is no sensitive personally identifiable information (PII) in this collection.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
	Form 1099-SA	25,839	1	25,839	.14	3,618
Totals						

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 Federal government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized start up expenses, operating and maintenance expenses, and distribution of the product that collects the information.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables such as; complexity, number of pages, type of product and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries and other outlets. The result is the Government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>	<u>Printing and Distribution</u>	<u>Government Cost Estimate per Product</u>
Form 1099-SA	\$ 3,873		\$ 3,873
Form Instructions 1099-SA and 5498-SA	\$ 61,967		\$ 61,967
Grand Total	\$65,840.00		\$65,840.00
Table costs are based on 2016 actuals obtained from IRS Chief Financial Office and Media and Publications			
* New product costs will be included in the next collection update.			

15. REASONS FOR CHANGE IN BURDEN

There are no changes to the burden previously approved by OMB.

This submission is being made for renewal purposes.

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

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulation 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.

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.