

SUPPORTING STATEMENT
Internal Revenue Service
(Form 3468)
OMB Control Number 1545-0155

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Taxpayers are allowed a credit against their income tax for certain expenses they incur for their trades or businesses.

2. USE OF DATA

Form 3468 is used to compute Taxpayers credit against their income tax for certain expenses incurred for their trades or businesses. The information collected is used by the IRS to verify that the credit has been correctly computed.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 3468 is currently available.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use of 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

Because Form 3468 is usually updated for year changes only, less frequent information collections would not negatively affect Federal programs or policy activities but if there is a change in policy or there are legislative changes which impact the use of this form a noncyclical information collection would be suggested irrespective of any suggested collection cycle.

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 30, 2018, (83 FR 18873), we received no comments during the comment period regarding Form 3468.

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 IRS 24.046-Customer Account Data Engine Business Master File. The Department of Treasury 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

| Authority | Description | # of Respondents | # Responses per Respondent | Annual Responses | Hours per Response | Total Burden |
|-------------------------------|-------------|------------------|----------------------------|------------------|--------------------|--------------|
| Bipartisan Budget Act of 2018 | Form 3468 | 15345 | 1 | 15345 | 34.11 | 523418 |
| Totals | | | | 15345 | | 523418 |

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0155 to this regulation.

| | | |
|----------|-------------------------|--------------------------|
| 1.46-1 | 1.47-1 | 1.48-12(d)(6) |
| 1.46-3&4 | 1.47-3 | 1.48-12(d)(7)(i)&(ii) |
| 1.46-5&6 | 1.48-3 through 6 | 1.48-12(d)(7)(iv)(B)&(C) |
| 1.46-8&9 | 1.48-12(b)(2)(vii)&(ix) | 1.6851-1&2 |
| 1.46-11 | 1.48-12(d)(5)(ii) | |

Form 3468 is used by individuals, businesses, and estates and trusts. The estimate of burden that is being reported under 1545-0155 reports only the burden imposed on estates and trusts. The portion of the burden imposed on individual taxpayers is approved and reported under OMB Control Number 1545-0074. The portion of the burden imposed on business is approved and reported under OMB Control Number 1545-0123.

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 | \$ 38,730 | | \$ 38,730 |
| Form Instructions | \$ 11,917 | | \$ 11,917 |
| Grand Total | \$50,647.00 | | \$50,647.00 |
| 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 being made to this form at this time. 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

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.