

SUPPORTING STATEMENT
Internal Revenue Service
Form 1098, Mortgage Interest Statement, and
TD 8571, Reporting Requirements for Recipients of Points Paid on Residential
Mortgages

OMB Control No. 1545-1380

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 6050H of the Internal Revenue Code requires mortgagors to report mortgage interest, including points, of \$600 or more paid to them during the year by an individual on Form 1098.

Section 6050H was added to the Code to encourage compliance with the tax laws relating to the deductibility of mortgage interest, and authorizes the Secretary to require the reporting of certain information relating to payments of mortgage interest. Subsequent to the issuance of 26 C.F.R. 1.6050H-1, providing guidance for the information reporting of interest (other than points) under this statutory provision, Congress amended section 6050H (b) to require taxpayers subject to the mortgage interest reporting requirement to separately state on Form 1098 (provided to the Internal Revenue Service) the amount of points and the amount of interest (other than points) received during the taxable year on a single mortgage and to provide to the payor of the points a separate statement setting forth the information being reported to the Service. The regulations supplement the existing regulations by providing taxpayers with guidance regarding this statutorily mandated reporting requirement.

In addition, the regulations allow taxpayers who are subject to the information reporting requirement of section 6050H to voluntarily enter into a written agreement designating pursuant to which a third party will assume the information reporting requirement otherwise imposed on the designating party. Taxpayers subject to the reporting requirements of section 6050H and the regulations who choose to designate another person to fulfill this information reporting requirement are required by the regulations to retain a copy of the written designation agreement for a period of four years. Retention of this agreement is necessary for the Internal Revenue Service to determine which person has the information reporting requirement and thus is subject to applicable statutory penalties in the event of noncompliance. This written agreement does not have to be provided to the Internal Revenue Service.

Finally, the regulations provide that a recipient of mortgage points, in determining whether the points are being paid in connection with the payor's purchase of a principal residence, may rely on a signed, written statement from the payor stating that the points are being paid in connection with the purchase of a principal residence. This statement does not have to be provided by the reporting party to the Internal Revenue Service. Obtaining such a statement is entirely voluntary.

2. USE OF DATA

The form will be used by IRS to verify that taxpayers have deducted the proper amount of mortgage interest expense on their tax returns. It will also be used to verify that taxpayers have reported the proper amount of mortgage interest refunds in income on their tax returns.

The information required to be reported by the regulations will be reported to the Service on Form 1098, Mortgage Interest Statement. The information will also be reported to the homeowner-mortgagor that pays such points to the reporting party. The data will be used by the Service and the payor of record to determine if the payor of record may claim a deduction from gross income for an amount paid as points on a residential mortgage. The reporting of information described in the regulations is statutorily mandated.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing for Form 1098.

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 burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity.

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

With less frequent collection, the IRS will not be able to promptly verify that taxpayers have deducted the proper amount of mortgage interest expense on their tax returns or that taxpayer have reported the proper amount of mortgage interest refunds in income on their tax returns. This would affect both the taxpayer and the government in ensuring proper tax compliance.

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 (83 FR 27375), dated June 12, 2018, we received no comments during the comment period regarding Form 1098 and TD 8571.

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 " Information Returns Master File (IRMF) " system and a Privacy Act System of Records notice (SORN) has been issued for this system under: Treasury/IRS 22.061 information Returns Master File (IRMF) Treasury/IRS 24.030, CADE Individual Master File (IMF) and Treasury/IRS 34.047 IRS Audit Trail & Security Records System SORNs.

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 collection of information is in section 1.6050H-1(b) and section 1.6050H-2(b) of the regulations. Under these provisions, the reporting requirement is satisfied by including the additional information on a Form 1098 filed with the Service and on a copy of Form 1098 (or a substitute Form 1098) furnished to the payor of record. The burden for filing Form 1098 and the copy of Form 1098 (or substitute Form 1098) is already reflected in the burden estimates for Form 1098.

The burden estimates as follows:

Authority IRC	Document	# Respondents	# Responses Per Respondent	Annual Responses	Time Per Response	Total Burden
1.6050H-1(b) and 1.6050H-2(b)	TD 8571	37644	33.38008	1256,560	.23	283,056
1.6050-1 1.6050-2	Form 1098	75,714,100	1	75,714,100	.25	18,928,525
Totals				76,970,660		19,211,581

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There are no start-up costs associated with this collection.

14. ESTIMATED ANNUAL 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.

Product	Aggregate Cost per Product (factor applied)		Printing and Distribution		Government Cost Estimate per Product
Form 1098	61,967	+	30,155	=	92,122
Instructions 1098	7746	+	2795	=	10,541
Grand Total	69713	+	32950		102,663
Table costs are based on 2016 actuals obtained from IRS Chief Financial Office and Media and Publications					
* New product costs will be updated in the next revision of this collection.					

15. REASONS FOR CHANGE IN BURDEN

Form 1098

- The change in the burden previously approved by OMB resulted from combining the ICs for form 1098 and TD 8571 under one OMB control number; however, did not include the burden estimates of both collections resulting in an increase of burden hours of 8,883,089.
- Change in estimate responses increased from 66,989,155 to 75,714,100, an increase of 8,724,945 in filers.
- Other changes to the burden estimates were due to PL 115-97 section 11043 Act; that added new box "11" to Form1098. The new box increased the response time from .23 hours to .25 hours per response, resulting in an increase due to statute of 2,006,737 hours.

Form 1098	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 for this IC	75714100	0	0	8724945	0	66989155
Annual IC Time Burden (Hours)	18928525	2006737	8883089	0	0	8038699

TD 8571	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 for this IC	1256560	0	0	0	0	1256560
Annual IC Time Burden (Hours)	283056	0	0	0	0	283056

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There is no plan 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 regulations sunset 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. 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.