

**SUPPORTING STATEMENT**  
Internal Revenue Service  
Information Reporting for Certain Life Insurance Contract Transactions  
OMB # 1545-XXXX

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The collection covers the new information reporting requirements for certain life insurance contracts under new IRC 6050Y, which was added by the Tax Cuts and Jobs Act (TCJA).

The new reporting requirements apply to reportable death benefits paid and reportable policy sales made after Dec. 31, 2017. On April 26, 2018, the Internal Revenue Service provided transitional guidance delaying any reporting under IRC 6050Y until final regulations are issued. The transitional guidance provides taxpayers additional time to satisfy any reporting obligations arising prior to publication of final regulations.

**Information returns need to be filed in the following situations:**

- By anyone who acquires a life insurance contract, or any interest in a life insurance contract, in a “reportable policy sale”;
- By an issuer of a life insurance contract upon notice of a transaction required to be reported above or upon any notice of a transfer of a life insurance contract, or any interest in a life insurance contract, to a foreign person; and
- By any payor of “reportable death benefits.”

A “reportable policy sale” is generally the acquisition of an interest in a life insurance contract, directly or indirectly, if the acquirer has no substantial family, business, or financial relationship to the insured. A “reportable death benefit” is an amount paid at the death of the insured under a life insurance contract that was transferred in a reportable policy sale.

The Internal Revenue Service requested public comment on intended proposed regulations implementing these reporting requirements. Complete details can be found in [Notice-2018-41](#).

2. USE OF DATA

Section 13520 of the Act added section 6050Y to the Code. In general, section 6050Y imposes information reporting requirements on the acquirer and issuer in the case of the acquisition, or notice of the acquisition, of an existing life insurance contract in a reportable policy sale, and on each person who makes a payment (the “payor”) of reportable death benefits. The reporting requirements set forth in section 6050Y are effective for reportable policy sales that occur after December 31, 2017, and for reportable death benefits paid after December 31, 2017.

Treasury and the IRS intend to propose regulations under section 6050Y(a)(1) requiring every

person who acquires a life insurance contract or any interest in a life insurance contract in a reportable policy sale to file an information return. The information will be used to verify tax compliance and appropriate taxable income.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The Internal Revenue Service (IRS) will accept electronic reporting of this information. Filers transmitting these forms electronically would process through the Filing Information Returns Electronically (FIRE) System.

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

If the Internal Revenue Service (IRS) did not collect this information, the IRS will not be able to verify compliance with the reporting rules and to verify that the recipient has included the proper amount of taxable income on his or her income tax return.

Failure to collect and retain the information outlined in the regulations will complicate the taxpayer's ability to receive the proper tax credit and the IRS's ability to verify its' accuracy.

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

On April 26, 2016, the Internal Revenue Service requested public comment on intended proposed regulations related to the new information reporting requirements for certain life insurance contracts under new IRC 6050Y, which was added by the Tax Cuts and Jobs Act. The new reporting requirements apply to reportable death benefits paid and reportable policy sales made after Dec. 31, 2017.

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 Forms 1099-LS and 1099-SB.

In response to the *Federal Register* notice dated September 11, 2018, (83 FR 46017), we received one comment letter during the comment period regarding Forms 1099-LS and 1099-SB. This comment letter requested advanced insights as to when the new regulations would be released to the public. The IRS has been working on the proposed regulations and making progress, but there was no way to provide specific insight at the time of the creation of this Information Collection Request (ICR) package.

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 Internal Revenue Service PIAs can be found at <http://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

<b>OMB Collection</b>	<b>Authority</b>	<b>Form</b>	<b>Annual Responses</b>	<b>Hours per Response</b>	<b>Total Burden</b>
IRS 1545-xxxx	IRC 6050Y	1099-LS	3,000	.12	360
		1099-SB	3,000	.12	360
	<b>IRS TOTAL</b>		<b>6,000</b>		<b>720</b>

Please continue to assign OMB number 1545-XXXX to these regulations.

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13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our *Federal Register* notice dated September 11, 2018, 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, 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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution and overhead for the forms is minimal.

15. REASONS FOR CHANGE IN BURDEN

The IRS described the new information reporting requirements for certain life insurance contracts under new IRC 6050Y, which was added by the Tax Cuts and Jobs Act. The new reporting requirements apply to reportable death benefits paid and reportable policy sales made after Dec. 31, 2017. As part of the guidance, however, the IRS provided transitional guidance delaying any reporting under IRC 6050Y until final regulations are issued.

This submission is being made to seek new approval as required in the Paperwork Reduction Act.

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 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 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 if 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.