

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Empowerment Zone Employment Credit
Form 8844
OMB Control Number 1545-1444

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Revenue Reconciliation Act of 1993 revised Code section 38 and added sections 1396 and 1397 to allow businesses an income tax credit for qualified wages and certain training and education expenses paid or incurred on behalf of qualified zone employees.

The empowerment zone employment (EZE) credit is part of the general business credit under section 38. However, unlike the other components of the general business credit, taxpayers are allowed to offset 25 percent of their alternative minimum tax with the EZE credit.

Partnerships and S corporations must file Form 8844 to claim the credit. All others are generally not required to complete or file this form if their only source for this credit is a partnership, S corporation, estate, trust, or cooperative. Instead, they can report this credit directly on Form 3800, General Business Credit. The following exceptions apply: an estate or trust and the source credit can be allocated to beneficiaries or a cooperative and the source credit can or must be allocated to patrons.

2. USE OF DATA

The IRS uses the information shown on Form 8844, Empowerment Zone Employment Credit, to verify that the credit has been correctly figured.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 8844 is currently available.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available or use or adaption from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

Small businesses should not be disadvantaged as the form has been structured to request the least amount of information and still satisfy the requirements of the statute and the needs of the Service.

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

The information required is needed to verify compliance with the Internal Revenue Code of the Treasury Regulations. A less frequent collection of taxes and tax information could adversely affect

the government’s effectiveness and would reduce the oversight of the public in ensuring compliance with Internal Revenue Code and 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 March 4, 2019 (84 FR 7418), we received no comments during the comment period regarding these regulations.

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 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

No personally identifiable information (PII) is collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

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Form	Description	# Respondents	# Responses Per Respondent- Approximate	Total Annual Responses	Hours Per Response	Total Burden
8844	Empowerment Zone Employment Credit	25	1	25	6.33 hours	158 hours
TOTAL		25		25		158 hours

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 8844	\$ 38,275	\$0	\$ 38,275
Instructions 8844	\$5,468	\$0	\$5,468
Table costs are based on 2018 actuals obtained from IRS Chief Financial Office and Media and Publications			

15. REASONS FOR CHANGE IN BURDEN

The change in burden is due a change in the estimated number of respondents/responses and a previous change to the form. The change in estimates is a result of the creation of two OMB clearance buckets for individual and business filers. All individual filer estimates are being reported under 1545-0074. Business filer estimates are being reported under 1545-0123. The estimates associated with all other filers (i.e., estates, trusts) are being reported under 1545-1444 and therefor the results in an overall burden decrease of 237,375 burden hours (237,600 to 225), based on the decrease in the number of respondents and responses to 25 (26,400 – 26,375). In addition, the form change resulted in an additional 67 hour change to the overall annual time burden, for a total burden of 158 hours.

The forms instructions will be updated during the next revision cycle.

	<u>Requested</u>	<u>Program Change Due to New Statute</u>	<u>Program Change Due to Agency Discretion</u>	<u>Change Due to Adjustment in Agency Estimate</u>	<u>Change Due to Potential Violation of the PRA</u>	<u>Previously Approved</u>
Annual Number of	25			-26,375		26,400

Responses						
Annual Time Burden (Hr)	158		-67	-237,375		237,600

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 regulations 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.