

**SUPPORTING STATEMENT**  
**Internal Revenue Service**  
**(Form 8903)**  
**OMB # 1545-1984**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 199A was enacted on December 22, 2017, by section 11011 of “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,” Public Law 115-97, 131 Stat. 2054, 2063 (TCJA). Parts of section 199A were amended on March 23, 2018, as if included in TCJA, by section 101 of Division T of the Consolidated Appropriations Act, 2018, Public Law 115-141, 132 Stat. 348, 1151 (2018 Act). Section 199A applies to taxable years beginning after 2017 and before 2026. The amendments in the 2018 Act included a deduction for Specified Cooperatives and their patrons (section 199A(g) domestic production activities deduction) that is based on the former section 199 deduction found in section 102 of the American Jobs Creation Act of 2004.

The authority for the Form 8903 is Internal Revenue Code section 199A (P.L. 115-141, 132 Stat. 348, 1151 (2018 Act)). Specified Cooperatives will use the Form 8903 and related instructions to calculate the section 199A(g) domestic production activities deduction.

**2. USE OF DATA**

Specified Cooperatives will use the Form 8903 to calculate the section 199A(g) domestic production activities deduction. The Internal Revenue Service will use the Form 8903 to determine how the section 199A(g) domestic production activities deduction was determined by Specified Cooperatives.

**3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

Form 8903 will be **not** be filed electronically under the authority of Internal Revenue Code section 6001 (P.L. 108-357, Title II, Sections 2001 through 2005) because it relates to the Form 1120-C which is not electronically filed.

While IRS has considered enabling electronic filing of the 1120-C, it has not yet decided to do so as the form is filed in lower number relative to other forms.

**4. EFFORTS TO IDENTIFY DUPLICATION**

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

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

Form 8903 will impact a population of Specified Cooperatives, only a small percentage of which are considered small entities. The IRS minimized any associated burden by drafting rules to compute the section 199A(g) deduction substantially similar to rules used in prior years under former section 199. For example, section 199A(g) requires allocation of gross receipts between domestic produced gross receipts (DPGR) and non-domestic produced gross receipts (non-DPGR). The IRS reduced impact on small businesses by including provisions permitting Specified Cooperatives to treat de minimis gross receipts as DPGR or non-DPGR without allocating such gross receipts and a provision permitting the use of historical data to allocate gross receipts for certain multiple-year transactions. The de minimis threshold and use of historical data reduces compliance costs for businesses with relatively small amounts of non-DPGR or DPGR by allowing them to avoid allocating receipts between DPGR and non-DPGR activities. In addition, the IRS considered less burdensome and more administrable rules where possible. For example, the rules include a “small business simplified overall method” for allocating cost of goods sold and other expenses. The threshold for taxpayers qualifying to use this method is more generous than in the prior rules. Taxpayers qualified to use this method are those with less than \$25 million average gross receipts (1.199A-10(f)(2)).

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

The consequences are that the IRS will have to spend more taxpayer assistance resources to collect this data through other means. This will compromise the Agency’s ability to enforce tax compliance. Tax compliance is a vital part of the government’s ability to meet its’ mission and serve the public.

**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 February 1, 2019 (84

FR 1280), we received no comments during the comment period regarding Form 8903.

**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 PIA’s 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**

The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return.

Shareholders of S corporations and partners include information provided by the S corporation or partnership when figuring their allowable DPAD. Beneficiaries of an estate or trust include information provided by the estate or trust when figuring their allowable DPAD. Patrons of certain agricultural or horticultural cooperatives may be allocated a share of the cooperative's DPAD to include on Form 8903. The estimated burden for all other taxpayers who file this form is shown below:

**The burden estimate is as follows:**

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
§199 IRC	Form 8903	30,000	1	30,000	24.66	739,800
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.

Product	Aggregate Cost per Product (factor applied)	Printing and Distribution	Government Cost Estimate per Product
Form	10,024	0	10,024
Form Instructions	7,108	0	7,108
<b>Grand Total</b>	<b>17,132</b>		<b>17,132</b>
Table costs are based on 2018 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 collection, however the estimates are being updated to eliminate double counting of burden with other OMB Control Numbers. The information collection requirements and burden that are associated with business use of Form 8903 are accounted for in OMB control number 1545-0123, U. S. Business Income Tax Return and are being removed from this information collection (1545-1984).

	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	30,000	0	-270,000	0	0	300,000
Annual IC Time Burden (Hours)	739,800	0	-6,658,200	0	0	7,398,000

## 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.