

SUPPORTING STATEMENT

Internal Revenue Service

New Market Tax Credits

OMB# 1545-1804

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The New Markets Tax Credit Program, enacted by Congress as part of the Community Renewal Tax Relief Act of 2000, is incorporated as section 45D of the Internal Revenue Code. This Code section permits individual and corporate taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments in qualified community development entities.

Form 8874 is used to claim the new markets credit for qualified equity investments made in qualified community development entities (CDEs). This credit is part of the general business credit.

2. USE OF DATA

The information under section 1.45D-1(g)(2) is required by the IRS so that a taxpayer may claim a new markets tax credit; the IRS can determine the accuracy of the credit amount; a taxpayer can report recapture of the credit; and a CDE can report on its compliance with the requirements in section 45D and the regulations thereunder. Form 8874 is used by investors to claim a credit for equity investments made in Qualified Community Development Entities. The agency uses the information to verify the credit amount being claimed.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing for Form 8874.

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

As outlined in TD 9171 (OMB # 1545-1765), it has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. It is hereby certified that the collection of information in these regulations will not have a significant economic impact on a substantial number of small

entities. This certification is based upon the fact that any burden on taxpayers is minimal. Accordingly, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Code, the notices of proposed rulemaking preceding these regulations were submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

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

A less frequent collection of this information would not allow the IRS to determine the accuracy of the credit amount; a taxpayer can report recapture of the credit; and a CDE can report on its compliance with the requirements in section 45D and the regulations thereunder. Therefore, the information under section 1.45D-1(g)(2) is required by the IRS so that a taxpayer may claim a new markets tax credit.

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 December 26, 2001, the IRS published in the Federal Register temporary and proposed regulations (the 2001 temporary regulations) (66 FR 66307, 66 FR 66376). On March 11, 2004, the IRS published in the Federal Register temporary and proposed regulations revising and clarifying the 2001 temporary regulations (the 2004 temporary regulations) (69 FR 11507; 69 FR 11561). On March 14, 2002, and June 2, 2004, the IRS and Treasury Department held public hearings on the 2001 temporary regulations and the 2004 temporary regulations, respectively.

On June 30, 2006, the IRS and Treasury Department released Notice 2006-60 (2006-2 CB 82), which announced that § 1.45D-1 would be amended to provide rules relating to how an entity meets the requirements to be a qualified active low-income community business when its activities involve certain targeted populations under section 45D(e)(2). On September 24, 2008, a notice of proposed rulemaking (NPRM) (REG-142339-05) was published in the Federal Register (73 FR 54990). Written and electronic comments responding to the proposed regulations were received and a public hearing was held on January 22, 2009. After consideration of all the comments, the proposed regulations are adopted as amended by TD 9560 (76 FR 75774), published December 5, 2011.

On June 7, 2011, a notice of proposed rulemaking and notice of public hearing (REG-101826-11) was published in the Federal Register (76 FR 32882). The IRS received

comments responding to the notice of proposed rulemaking and held a public hearing on September 29, 2011. After consideration of all the comments, the proposed regulations are adopted as amended by TD 9600 (77 FR 59544), published September 28, 2012.

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 Form 8874.

In response to the **Federal Register** notice dated March 19, 2019 (84 FR 10193), we received no comments during the comment period regarding the collection of information under this approval number.

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)” and “Individual Master File (IMF)” systems, and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS Treas/IRS 24.046 BMF, Treas/IRS 34.047 Audit Trail and Security Records, and Treas/IRS 24.030 CADE Individual Master File. 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 burden estimates for individual filers is being reported under OMB control number 1545-0074. The burden estimates for business and partnerships are being reported under OMB control number 1545-0123. Burden related to regulations section 1.45D-1 has

been approved under 1545-1765.

The burden estimate for all other filers is as follows:

OMB Collectio n	Authorit y	Form	Annual Responses	Hours per Response	Total Burden
IRS 1545- 1804	IRC 45D	8874	101	4.87	492
	IRS TOTAL		101		492

The following regulations impose no additional burden. Please continue to assign OMB number 1545-1765 to these regulations.

1.45D-1

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated March 19, 2019, 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, we did not receive any responses from taxpayers on this subject. As a result, estimates of these cost burdens are not available currently.

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>
8874)	\$ 10,936	\$ 0	\$ 10,936
Grand Total	\$ 10,936		\$ 10,936
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 burden.

We are submitting this request for renewal purposes only.

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 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.