**SUPPORTING STATEMENT**

**Internal Revenue Service (IRS)**

**Original Issue Discount**

**Form 1099-OID**

**OMB Control Number 1545-0117**

1. **CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

IRC section 6049 requires payers of original issue discount (OID) of $10 or more to file a return showing the OID for the calendar year for each payee. Regulations sections 1.6049-4 and 1.6049-7 require that Form 1099 be used to report OID.

1. **USE OF DATA**

IRS uses the data to verify that recipients are correctly reporting original issue discount on their tax returns.

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

Form 1099-OID can be filed electronically.

1. **EFFORTS TO IDENTIFY DUPLICATION**

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

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

There are no small entities affected by this collection.

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

The information required is needed to verify compliance with the Internal Revenue Code section 6049 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.

1. **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).

1. **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 September 27, 2019 (84 FR 51226), we received no comments during the comment period regarding these regulations.

1. **EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

No payment or gift has been provided to any respondents.

1. **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns, and tax return information are confidential as required by 26 U.S.C. 6103.

1. **JUSTIFICATION OF SENSITIVE QUESTIONS**

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Individual Master File (IMF)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under; Treas/IRS 24.030 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.

The Privacy Act statement associated with this form is listed in the instructions.

1. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

IRC section 6049 requires payers of original issue discount (OID) of $10 or more to file a return showing the OID for the calendar year for each payee. Regulations sections 1.6049-4 and 1.6049-7 require that Form 1099 be used to report OID. The agency estimates that 5,950,000 responses will be received from 9,185 respondents, taking an estimated .23 hours to complete for 1,369,529 overall annual burden hours.

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| --- | --- | --- | --- | --- | --- | --- |
| Form Number | Description | # Respondents | # Responses Per Respondent-  Approximate | Total Annual Responses | Hours Per Response | Total Burden |
| 1099-OID | Original Issue Discount | 5,950,000 | 1 | 5,950,000 | .23 hours | 1,369,529 |
| TOTAL |  | 5,950,000 | 1 | 5,950,000 | .23 hours | 1,369,529 |

1. **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.

1. **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 1099 OID | $ 65,524 |  | 0 |  | $ 65,524 |
| **Grand Total** | **$ 65,524** |  | **0** |  | **$ 65,524** |
| Table costs are based on 2016 actuals obtained from IRS Chief Financial Office and Media and Publications | | | | | |
| \* New product costs will be included in the next collection update. | | | | | |

1. **REASONS FOR CHANGE IN BURDEN**

There are no changes being made to the form at this time. However, the agency is updating the estimated number of respondents based on the most recent filing data. Response estimates have increased by 3,984,000 (from 1,966,000 to 5,950,000), resulting in an annual time burden increase of 917,009 hours (from 452,520 hours to 1,369,529 hours).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **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 | 5,950,000 |  |  | 3,984,000 |  | 1,966,000 |
| Annual Time Burden (Hr) | 1,369,529 |  |  | 917,009 |  | 452,520 |

1. **PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION**

There are no plans for tabulation, statistical analysis, and publication.

1. **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.

1. **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.