

**Supporting Statement
Internal Revenue Service
(Forms 8275 and 8275-R)
OMB# 1545-0889**

26832. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code section 6662 imposes accuracy related penalties on taxpayers and section 6694 imposes these penalties on tax return preparers. The penalties may be reduced if the taxpayer or preparer adequately discloses the relevant facts affecting the tax treatment of any item on the return provided the items are not from a tax shelter. Regulations sections 1.6662-4(e) and (f) set forth rules requiring the use of Form 8275 to make the disclosure. Form 8275-R has been developed to be used for disclosures involving a position reflecting a tax treatment that is contrary to a regulation. Form 8275-R requires the filer to cite the regulation in question.

2. USE OF DATA

The IRS uses the information provided on Forms 8275 and 8275-R to determine whether the penalties under section 6662 and 6694 should be imposed or if the disclosures required by regulations sections 1.6662-4(e) and (f) are adequate.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 8275 and 8275-R is currently available.

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

Taxpayers and tax return preparers regardless of size are held to the same accuracy standards. The only way to avoid the accuracy related penalties when acts of misconduct are not committed is to file either Form 8275/8275-R (depending

on the position taken). When filing Form 8275 the accuracy related penalty will not be imposed if one shows (i) the position is adequately disclosed and (ii) the principle has a reasonable basis. When filing Form 8275-R the accuracy related penalty will not be imposed if one shows (i) that there was reasonable cause and (ii) acted in good faith.

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

Consequences of less frequent collection on federal programs or policy activities could consist of a decrease in the amount of taxes collected by the Service, inaccurate and untimely filing of tax returns, and an increase in tax violations.

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 June 24, 2019, (84 FR 29586), we received no comments during the comment period regarding Forms 8275 and 8275-R.

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 a Privacy Act System of Records notice (SORN) has been issued for these systems under IRS 22.062 - Electronic Filing Records; IRS 24.030 -

Customer Account Data Engine (CADE) Individual Master File; IRS 24.046 - CADE Business Master File (BMF); IRS 34.037 - IRS Audit Trail and Security Records System. 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 time needed to complete and file these forms will vary depending on individual circumstances. The estimated burden for individuals is approved under OMB number 1545-0074, the estimated burden for businesses is approved under OMB number 1545-0123, and the estimated burden for all others who file this form is shown below, under OMB number 1545-0889.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
6661, 6662	Form 8275	333,333	1	1	5.68	1,893,332
6661, 6662	Form 8275-R	333,333	1	1	5.47	1,823,332
Totals		666,666				3,716,664

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0889 to these regulations:

- 1.6661
- 1.6662

We have reviewed these regulations and have determined that the reporting requirements contained in them are entirely reflected on the forms. The justification appearing in item 1 of the supporting statement applies both to these regulations and to the forms. Estimates of annualized cost to respondents for the hour

burdens shown above are not available at this time.

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 8275	10,936	+	0	=	10,936
Form 8275 Instructions	2,734	+	0	=	2,734
Form 8275-R	10,936	+	0	=	10,936
Form 8275-R Instructions	2,734	+	0	=	2,734
Grand Total	27,340				27,340
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 is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

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. EXCEPTION 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.