

**SUPPORTING STATEMENT**  
**Internal Revenue Service**  
**(Form 1099-H) Health Coverage Tax Credit (HCTC) Advance Payments**  
**OMB #1545-1813**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 6050T requires that if you are a provider of qualified health insurance coverage (defined in section 35(e)) and you receive advance payments from the Department of the Treasury on behalf of eligible recipients pursuant to section 7527, you must file Forms 1099-H to report those advance payments. You must also furnish a statement reporting that information to the eligible recipient.

**2. USE OF DATA**

The data reported on this form will be used by the Internal Revenue Service to verify the advanced payments received by the provider. The form will also be used by eligible taxpayers in computing the Health Coverage Tax Credit (Form 8885), on the taxpayers annual tax return.

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

IRS is currently offering electronic filing on Form 1099-H.

**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**

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

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

The consequences for not collecting this information are that the IRS will not be able to clearly verify the qualified health insurance coverage (defined in section 35(e)) received by providers through advance payments from the Department of the Treasury on behalf of eligible recipients pursuant to section 7527 was properly

allocated. Failure to issue the Form 1099-H to taxpayers (recipients) will complicate the taxpayer's ability to calculate the proper Health Coverage tax credit. This affects taxpayer confidence and compromises the Agency's ability to enforce the proper tax laws. Tax compliance is a vital part of the government's ability to meet its' mission and serve the public.

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).

2. **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 October 2, 2019 (84 FR 52590), we received no comments during the comment period regarding Form 1099-H.

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

No payment or gift will be provided to any respondents.

4. **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

5. **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:

Treas/IRS 24.046 BMF

Treas/IRS 34.047 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.

**6. ESTIMATED BURDEN OF INFORMATION COLLECTION**

The Internal Revenue Service develops forms and instructions that explain the requirements of the Internal Revenue Code and regulations. The burden estimate reported under this approval number is related to completing the actual form by the providers of qualified health insurance coverage (defined in section 35(e)) only:

Authority	Description	Number of Respondents	#Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC §86050T, 35(e), 7527	Form 1099-H	49,000	1	49,000	.30	14,700
Totals						

**7. 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.

**8. 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.

<b>Product</b>	<b>Aggregate Cost per Product (factor applied)</b>		<b>Printing and Distribution</b>		<b>Government Cost Estimate per Product</b>
Form 1099-H	5,500	+		=	5,500
Instructions					
<b>Grand Total</b>	<b>5,500</b>				<b>5,500</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.					

**The estimated annualized cost to the federal government is \$5,500.**

**9. REASONS FOR CHANGE IN BURDEN**

There is no change to the paperwork burden previously approved by OMB. IRS is making this submission for renewal purposes.

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

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

**11. 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 form sunsets as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

**12. 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.