

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Country-by-Country Reporting
Form 8975 and Form 8975 Sch A
OMB Control Number 1545-2272

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

26 CFR 1.6038-4, issued under the authority of 26 USC 6001, 6011, 6012, 6031, 6038, and 7805, requires U.S. taxpayers (generally, U.S. business entities with at least \$850,000,000 in revenue in the prior reporting period) to furnish certain information with respect to their global operations.

Except as provided in 1.6038-4(h), every ultimate parent entity of a U.S. multinational enterprise (MNE) group must make an annual return on Form 8975, Country-by-Country Report, setting forth the information described in paragraph (d) of this section, and any other information required by Form 8975, with respect to the reporting period described in 1.6038-4(c).

Form 8975 was developed to provide certain information required to report annual country-by-country reporting by certain United States persons that are the ultimate parent entity of a US MNE that has annual revenue for the preceding annual accounting period of \$850 million or more. Separate Schedule A's (Form 8975) are to be filed for each tax jurisdiction in which a group has one or more constituent entities resident.

2. USE OF DATA

The information collected through Form 8975 and Form 8975 Sch A will be used by the IRS to assist with better enforcement of the federal income tax laws and, in particular, high-level transfer pricing risk identification and assessment.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Form 8975 will be collected through electronic filing with the respondent's federal income tax return.

4. EFFORTS TO IDENTIFY DUPLICATION

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

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

There are no small entities affected by this collection. Respondents must have at least group revenue of at least \$850,000,000 in the prior reporting year before being required to file.

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

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

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 November 6, 2019 (84 FR 59915), we received no comments during the comment period regarding these regulations.

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 U.S.C. 6103.

11. 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.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden for individual filers burden is reported under 1545-0072 and business filers are being reported under 1545-0123. The burden in this collection is only for filers that are not individual or business. The burden for this collection will eventually be included in appropriate filing buckets in the near future and this number would be discontinued. Until that time, the number of

responses/respondents will remain the same until the agency is able to separate all-other filer burden.

	Description	# Respondents	# Responses Per Respondent-Approximate	Total Annual Responses	Hours Per Response	Total Burden
Form 8975 and Form 8975 Sch A	Country-by-Country Reporting	3,120	1	3,120	1.5	4,680

The following regulations impose no additional burden. Please continue to assign OMB number 1545-2272 to these regulations.

1.6038-4

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 8975 and 8975 Sch A	\$1,500	0	\$1,500
Grand Total	\$ 1,500	0	0 1,500
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 being made to the forms at this time.

	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	3,120					3,120
Annual Time Burden (Hr)	4,680					4,680

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 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.

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.