

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Interest Charge on DISC-Related Deferred Tax Liability
Form 8404
OMB # 1545-0939

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

IRC section 995(f) requires the shareholders of Interest Charge Domestic International sales Corporations (IC-DISCs) to pay an interest charge on their DISC-related deferred tax liability. §1.991-1 thru §1.997-1 cover Domestic International Sales Corporations.

Form 8404 was developed to help the shareholders (individuals, corporations, estates, or trusts) in figuring the interest charge as outlined in §1.995-1. The interest charge is based on the shareholder's deferred tax liability that results from the shareholders including his or her share of the IC-DISC income in his or her tax return for the year.

2. USE OF DATA

The IRS uses Form 8404 information to verify that shareholders of the IC-DISC have correctly figured and paid the section 995(f) interest charge.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Form 8404 cannot be filed electronically, since its low volume does not justify the cost of electronic enabling.

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.

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 section 995(f) 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.

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 July 30, 2019 (84 FR 37009), 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 "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 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

Burden associated with Business Filers is reported under OMB # 1545-0123. Burden associated with Individual Filers is reported under OMB # 1545-0074. The burden reported under 1545-0939 is for all other filers (non-individual and business filers).

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0939 to these regulations.

1.995-1
1.921-1T.

Form Number	Description	# Respondents	# Responses Per Respondent- Approximate	Total Annual Responses	Hours Per Response	Total Burden
8404	Interest Charge on DISC-Related Deferred Tax Liability	2,000	1	2,000	7.79 hours	15,580
TOTAL		2,000	1	2,000	7.79 hours	15,580

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 8404	\$ 32,807	0	\$32,807
Grand Total	\$ 32,807	0	032,807
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 form at this time.

Requested	Program Change	Program Change	Change Due to	Change Due to	Previously

		Due to New Statute	Due to Agency Discretion	Adjustment in Agency Estimate	Potential Violation of the PRA	Approved
Annual Number of Responses	2,000					2,000
Annual Time Burden (Hr)	15,580					15,580

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.