

**SUPPORTING STATEMENT**  
**Internal Revenue Service (IRS)**  
**Employer's Annual Federal Unemployment (FUTA) / Planilla para la Declaración Federal Anual del**  
**Patrono de la Contribución Federal para el Desempleo**  
**Form 940/940-PR**  
**OMB Number 1545-0028**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Form 940 is used by employers to file and pay Federal unemployment taxes. Internal Revenue Code section 3301 imposes the Federal unemployment tax of 6.2% on the first \$7,000 of annual wages (section 3306(b)(1)) paid to each employee. The employer is allowed a credit not to exceed 5.4% of the taxable wages (section 3302(b)), against the gross tax for amounts the employer pays (contributions) to state unemployment funds. The tax is figured and reported on Forms 940 and 940-PR (Puerto Rico employers only). If contributions are paid after the due date of the forms, the employer is allowed only 90% of the credit (section 3302(a)(3)) that otherwise would have been allowable if they had been paid by the due date.

**2. USE OF DATA**

The IRS will use the information reported on Forms 940 and 940-PR to ensure that employers have figured and reported the correct Federal unemployment wages and tax.

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

The agency is currently offering electronic filing on Forms 940 and 940-PR.

**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**

Small businesses should not be disadvantaged as the requirements are structured to request the least amount of information and still satisfy the requirements of the statute and the needs of the Service. Small Entities (those who pay less than \$1,500 in wages for every quarter in two consecutive years AND who do not employ at least one person for at least 20 days (the days being in different weeks) for the current year or preceding year do not have to pay FUTA taxes.

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

The information required is needed to verify compliance with sections 3301 of the Internal Revenue Code 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).

**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 March 17, 2020 (85 FR 15252), the IRS 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 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 Privacy Act System of Records notices (SORN) has been issued for these systems under Treasury/IRS 24.046- Business Master File (BMF); Treasury/IRS 24.030-Customer Account Data Engine Master File; IRS 34.037-IRS Audit Trail and Security Records System. The Internal Revenue Service PIAs 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 reporting burden for Forms 940/940-PR and existing regulations associated with them is as follows :

Form	Description	# Respondents	# Responses Per Respondent	Total Annual Responses	Hours Per Response	Total Burden
940	Employer's Annual Federal Unemployment (FUTA) Tax Return	1,367,000	.97	1,332,000	12.32	16,410,240
Sch A (940)	Multi-State Employer and Credit Reduction Information	5,421,000	1	5,421,000	16.28	88,253,880
940 Worksheet	Worksheet	20,000	1	20,000	2.06	41,200
940 – V	Voucher	14,652	1	14,652	.44	6,447
940 – PR	Employer's Annual Federal Unemployment (FUTA) Tax Return (Puerto Rican version)	35,000	1	35,000	11.51	402,850
Anexo A (940 PR)	Multi-State Employer and Credit Reduction Information (Puerto Rican version)	4,000	1	4,000	18.71	74,840
940- PR	Worksheet (Puerto Rican version)	1,400		1,400	1.18	1,652
940-V (PR)	Voucher (Puerto Rican version)	1,000	1	1,000	.74	740
Sch R (940)	Allocation Schedule for Aggregate Form 940 Filers	7,000	1	7,000	11.34	79,380
Totals		6,871,052		6,836,052		105,271,229

### 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.

<b>Product</b>	<b>Aggregate Cost per Product (factor applied)</b>	<b>Printing and Distribution</b>	<b>Government Cost Estimate per Product</b>
Form 940 (schedules & instructions)	43.757	9,186	58,943
Form 940 PR (schedules & instructions)	21,324	2,848	24,173
<b>Grand Total</b>	<b>\$65,081</b>	<b>\$12,034</b>	<b>\$83,116</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.			

### 1. **REASONS FOR CHANGE IN BURDEN**

There have been no changes to the forms that would affect burden at this time.

	<b>Requested</b>	<b>Program Change Due to New Statute</b>	<b>Program Change Due to Agency Discretion</b>	<b>Change Due to Adjustment in Agency Estimate</b>	<b>Change Due to Potential Violation of the PRA</b>	<b>Previously Approved</b>
Annual Number of Responses for this IC	6,836,052	0	0	0	0	6,836,052
Annual IC Time Burden (Hours)	105,271,229	0	0	0	0	105,271,229

### 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**

The 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 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.