

## **SUPPORTING STATEMENT**

Internal Revenue Service

Treasury Regulation 1.408-5 annual reports by trustees or issuers (TD 7714)

OMB # 1545-0747

### **1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Internal revenue Code (IRC) section 408, *Individual retirement accounts*, provides that for purposes of this section, the term "individual retirement account" means a trust created or organized in the United States for the exclusive benefit of an individual or his beneficiaries, but only if the written governing instrument creating the trust meets the specific requirements. Section 408(i) requires trustees or issuers of individual retirement arrangements to make such reports, regarding such account, contract, or annuity to the Internal Revenue Service and to the individuals for whom the account, contract, or annuity is, or is to be, maintained with respect to contributions (and the years to which they relate), distributions aggregating \$10 or more in any calendar year, and such other matters. Regulations section 1.408-5, *Annual reports by trustees or issuers*, provides the guidance for a trustee of an individual retirement account or the issuer of an individual retirement annuity to make annual calendar year reports concerning the status of the account or annuity.

There are several Public Laws that are applicable to ICR section 408: Pension Protection Act PL 109-280, Section 831 (Allowance of additional IRA payments in certain bankruptcy cases); Heroes Earnings Assistance and Relief Tax Act PL 110-245, Section 109 (Contributions of military death gratuities to Roth IRAs and Education Savings Accounts); PL 110-458, Worker, Retiree, and Employer Recovery Act, Section 125 (Rollover of amounts received in airline carrier bankruptcy to Roth IRAs); and Emergency Economic Stabilization-Energy Improvement and Extension-Tax Extenders and Alternative Minimum Tax Relief PL 110-343, Division C, Section 504 (Income averaging for amounts received in connection with the Exxon Valdez litigation).

The collection of information covered under this approval number is related to the burden associated with the guidance provided under 26 CFR 1.408-5, more specifically the information reported on Form 5498.

### **2. USE OF DATA**

The information is used by the Service to verify compliance with the reporting and recordkeeping requirements per IRC 408(i). It is used to verify compliance with the reporting rules and to verify that the participant has made the contribution for which he or she is taking a deduction and that no excess contributions have been made.

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

99% of Form 5498's are filed electronically.

**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**

There is no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity.

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

The consequences resulting of the failure to collect the information will prevent the Service from verifying the compliance with the reporting rules, outlined in section 408(i), and to verify that the participant has made the contribution for which the taxpayer is taking a deduction and that no excess contributions have been made.

**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**

We received no comments during the comment period in response to the **Federal Register** notice (85 FR 22513), dated April 22, 2020.

**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 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)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.046-Customer Account Data Engine (CADE) Business Master File (BMF). 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.

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

Section 408(i) requires trustees or issuers of individual retirement arrangements file reports and maintain records. It is anticipated that there will be 118,858,000 respondents annually and the per response time would be .41 hours per respondent. The total reporting and recordkeeping burden amounts to 48,731,780.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC § 408	Form 5498	118,858,000	1	118,858,000	.41	48,731,780
Totals		118,858,000		118,858,000		48,731,780

**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 ANNUAL 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 the 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 the 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 the 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 5498	56,865	+	5,684	=	62,549
<b>Totals</b>	<b>56,865</b>		<b>5,684</b>		<b>62,549</b>

**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 DATE IS INAPPROPRIATE**

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the statutes/regulation or Form sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of 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 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 U.S.C. 6103.