

**SUPPORTING STATEMENT**  
**Internal Revenue Service (IRS)**  
**Taxable Distributions Received From Cooperatives**  
**Form 1099-PATR**  
**OMB Control Number 1545-0118**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

IRS section 6044 requires payers of \$10 or more of patronage dividends to file an information return.

Cooperatives file this form for each person: to whom they paid at least \$10 in patronage dividends and other distributions described in section 6044(b) or, from whom they withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.

Regulations section 1.6044-2 states that the return to be used is Form 1099-PATR.

The collections of information in §1.199A-7(c)(3), (d)(3), (f)(3), and (h)(3) as well as §1.199A-8(d)(3) are satisfied by providing information about qualified items of income, Specified Service Trade or Business (SSTB) determinations, qualified payments, the section 199A(g) deduction, and the use of qualified payments tied to the former section 199 deduction, as applicable, on an attachment to or on the Form 1099-PATR (or any successor form) issued by the Cooperative to the patron, unless otherwise provided by the instructions to the Form.

**2. USE OF DATA**

The form is used by IRS and patrons of Cooperatives to verify compliance with the reporting rules and to verify that the recipient has included the proper amount of income on their income tax return. Additionally, qualified payments, qualified items, and SSTB income are all required to calculate a patron's section 199A(a) deduction.

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

Form 1099-PATR is available for electronic filing.

**4. EFFORTS TO IDENTIFY DUPLICATION**

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

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

This collection impacts some small cooperatives, however the recordkeeping/reporting requirement is considered to be the minimum necessary to ensure compliance with the existing regulations under §6044 and cannot be reduced further.

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

The information required is needed for patrons to comply and for the IRS to verify compliance with the Internal Revenue Code and Treasury Regulation 1.6044-2. 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**

A notice of proposed regulations (NPRM) was published in the Federal Register on June 19, 2019 (84 FR 28668) and was followed by a corresponding correction (84 FR 38148), which was published in the Federal Register on August 6, 2019. During the comment period of the NPRM, we received one comment on the burden related to the Form 1099-PATR reporting requirements. The comment suggested that the proposed regulations may have understated the regulatory burden but provided no specific estimates in the alternative. In response we have subsequently updated the estimates for OMB control number 1545-0118.

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 IRS 34.037 Audit Trail and Security Records System and IRS 24.046 Customer Account Data Engine Business Master File. The Internal Revenue Service PIA's 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**

We have reviewed the following regulations and have determined that the reporting requirements contained in them are entirely reflected on the form. The justification appearing in item 1 of the supporting statement applies both to these regulations and to the form.

The following regulations impose no additional burden.

1.6044-2 through 1.6044-5

Please continue to assign OMB number 1545-0118 to these regulations.

Form	Description	# Respondents	# Responses Per Respondent- Approximate	Total Annual Responses	Hours Per Response	Total Burden
1099-PATR	Cooperatives	9,200	197.82608*	1,820,000	0.30 hours (18 minutes)	564,200
TOTAL		9,200		1,820,000		564,200

*\*This is an estimated average of the number of forms provided to cooperative patrons.*

**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 1099-PATR	\$56,865	\$3,675	\$60,541
Instructions 1099-PATR	\$3,554	\$0	\$3,554
Table costs are based on 2018 actuals obtained from IRS Chief Financial Office and Media and Publications			

**15. REASONS FOR CHANGE IN BURDEN**

Based on the rulemaking, the agency added new fields to the form which will add 3 minutes of burden to each 1099-PATR respondent. This resulted in a burden increase of 90,999 hours (from 473,201 hours to 564,200 hours).

	<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	1,820,000	0	0	0	0	1,820,000
Annual Time Burden (Hr.)	564,200	0	90,999	0	0	473,201

**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.