

Supporting Statement
Internal Revenue Service
(Form 8941) Tax Credit for Employee Health Insurance Expenses of Small Employers
OMB # 1545-2198

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 45R of the Internal Revenue Code (Code), as enacted by the Patient Protection and Affordable Care Act, offers a tax credit to certain small employers that provide health insurance coverage to their employees. The credit is available for taxable years beginning after December 31, 2009. Both taxable employers and employers that are organizations described in section 501(c) and exempt from tax under section 501(a) (tax-exempt employers) may be eligible for the section 45R credit. Eligible small employers use Form 8941 to figure the credit for small employer health insurance premiums.

Notice 2010-44, 2010-22 I.R.B. 717, provided guidance on section 45R as in effect for taxable years beginning before January 1, 2014, including transition relief for taxable years beginning in 2010 with respect to the requirements for a qualifying arrangement under section 45R. Notice 2010-82 expanded on the guidance provided in Notice 2010-44 and provided guidance on additional issues relating to the small employer tax credit.

Proposed regulations, REG-113792-13, were published in the *Federal Register* (78 FR 52719), on August 26, 2013, that incorporated the provisions of Notice 2010-44 and 2010-82 as modified to reflect the differences between the statutory provisions applicable to years before 2014 and those applicable to years after 2013. These regulations were finalized and published in TD 9672 on August 26, 2014 (79 FR 36640).

2. USE OF DATA

Eligible small employers with less than 25 employees and average annual wages of less than \$50,000 will qualify for the credit. Form 8941 will help the taxpayer compute the tax credit and be in compliance with their tax filing obligations. It also provides the Treasury Department and the IRS statistical data on how many taxpayers are benefiting from the new law.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing is offered for Form 8941. Form 8941 is an attachment to the business tax return which could be filed with Form 1120, Form 1120-S, Form 1065 or other tax return.

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

The information required to determine a small employer's eligibility for, and amount of, an applicable credit, generally consisting of the annual hours worked by its employees, the annual wages paid to its employees, the cost of the employees' premiums for qualified health plans and the employer's contribution towards those premiums, is information that the small employer generally will retain for business purposes and be readily available to accumulate for purposes of completing the necessary form for claiming the credit.

In addition, this credit is available to any eligible small employer only twice (because the credit can be claimed by a small employer only for two consecutive taxable years beginning after December 31, 2013, beginning with the taxable year for which the small employer first claims the credit). Accordingly, no small employer will calculate the credit amount or complete the process for claiming the credit under this regulation more than two times.

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

A less frequent collection of the information will prevent the IRS from verifying the proper credit or collecting proper statistical data on how many taxpayers are benefiting from the Tax Credit for Employee Health Insurance Expenses of Small Employers.

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 August 21, 2020 (85 FR 51848), IRS received no comments during the comment period regarding Form 8941.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift will be 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

No personally identifiable information (PII) is collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC § 45R	Form 8941 and worksheets	181,000	1	181,000	11.25	2,036,250
Totals				181,000		2,036,250

The estimates above do not include the burden for individual and business taxpayers, and only reflect the burden on other entities (tax exempt groups, trust & estates, etc.). The estimated burden for individual and business taxpayers filing this form is approved under OMB control numbers 1545-0074 and 1545-0123 (respectively) and is included in the estimates shown in the instructions for their individual and business income tax return.

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 8941	30,073	+		=	30,073
Instructions	32,807				32,807
Grand Total	62,880				62,880
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

	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	181,000	0	0	2,865,964	0	3,046,946
Annual Time Burden (Hr)	2,036,250	0		32,242,096	0	34,278,346

IRS received updated filing figures and removed the burden for individual and business filers, which are included in the estimates for 1545-0074 and 1545-0123, respectively. This results in a decrease of 2,865,964 responses and 32,242,096 hours due to adjustment in agency estimates.

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 form sunsets as of the expiration

date. Taxpayers are not likely to be aware that the IRS 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 for this collection.

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.