

SUPPORTING STATEMENT
Internal Revenue Service
Form 1099-Q, Payments from Qualified Education Programs
(Under Section 529 and 530)
OMB Control Number 1545-1760

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) Section 529, defines a Qualified Tuition Program (QTP) and its taxation characteristics.

IRC Section 530, defines a Coverdell Education Savings Account (ESA) and its taxation characteristics.

Form 1099-Q, Payments from Qualified Education Programs (Under Sections 529 and 530), is used by an officer, an employee, or the designee of an officer or employee having control of a program established by a state or eligible educational institution; and made a distribution from a QTP.

A trustee of a Coverdell ESA must file Form 1099-Q to report distributions made from Coverdell ESAs. To lessen the burden for payers, Form 1099-Q was developed to report distributions from private and state qualified tuition programs. A copy of the Form 1099-Q must be furnished to the recipient.

2. USE OF DATA

Students and designated beneficiaries will use the information provided to report earnings from qualified tuition programs or Coverdell education savings accounts use Form 1099-Q to report distributions and earnings.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing for Form 1099-Q is currently available.

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 IRS proactively works with both internal and external stakeholders to minimize the burden on small businesses, while maintaining tax compliance. The Agency also seeks input regarding the burden estimates from the public via notices and tax product

instructions. There is minimal to no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute under sections 529 and 530 to this type of entity.

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

Less frequent collection of this information can result in taxpayers overstating the amount of allowable education credits by failing to reduce the amount of tuition and other qualified education expenses by the amount of the funds disbursed from the education savings account to cover those expenses. Additionally, less frequent collection of this information can cause taxpayers to understate taxable income from disbursements from the education savings account that were not used to pay for qualified education expenses.

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 (86 FR 6738), dated January 22, 2021, we received no comments regarding Form 1099-Q.

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

There has been no payments or gifts provided to 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)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.046-Customer Account Data Engine Business Master File. 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

Form 1099-Q was developed to report distributions from private and state qualified tuition programs. A copy of the Form 1099-Q must be furnished to the recipient. We estimate that 3,689,800 taxpayers will spend an average of .22 hours preparing and filing this form. The reporting burden for this information collection is 811,756 hours.

Burden Estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC §§ 529, 530	1099 Q	3,689,800	1	3,689,800	.22	811,756
Totals		3,689,800		3,689,800		811,756

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 primary cost to the government consists of the cost of printing Form 1099-Q. We estimate that the cost of printing the form is \$64,733.

The estimated annualized cost to the Federal Government is based on a model that considers the following three 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 Federal Government estimated annualized cost per product.

The federal government estimated annualized cost is as follows:

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form 1099-Q	56,865	+	3,248	=	60,113
Instructions 1099-Q	4,620	+	0	=	4,620
Grand Total	61,485	+	0	=	64,733
Table costs are based on 2020 actuals obtained from IRS Chief Financial Office and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

Changes were made to the burden previously approved to update the estimated number of responses based on the most recent filing data. The annual number of responses requested is 3,689,800 (an increase of 1,280,300 from the previously PIA approved 2,409,500). No changes have been made to the form. The change in estimated responses results in an overall hourly burden increase of 281,666 (current burden estimate is 811,756 and previously approved was 530,090).

Also, we are also making this submission to renew the OMB approval.

	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 for this IC	3,689,800	0	0	1,280,300	0	2,409,500
Annual IC Time Burden (Hours)	811,756	0	0	281,666	0	530,090

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

We believe 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.