

SUPPORTING STATEMENT
Internal Revenue Service

Form 1040-SS, U.S. Self-Employment Tax Return;
Form 1040-PR, U.S. Self-Employment Tax Return (Puerto Rico Version); and
Form 1040 Schedule H (PR), Household Employment Tax (Puerto Rico Version)
OMB Control Number 1545-0090

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC), Section 1401 delineates the rate of tax imposed on self-employment income for Old-age, survivors, and disability insurance and Hospital insurance; there is also special conditions for relief from taxes when specific international agreements are met.

IRC, Section 1402 defines Net earnings, Income, Trade or business, Employee and wages, and other in reference to self-employment income or net earning from self-employment.

IRC, Section 6017 details the requirements and conditions of reporting self-employment income when individuals have net earning from self-employment of \$400 or more for the taxable year.

IRC, Section 7651 address the covering of the proceeds of certain taxes into the treasuries of the Virgin Islands and Guam, respectively.

Form 1040-SS is used by self-employed individuals in Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands to report self-employment taxes, household employment taxes, uncollected tax on tips or certain life insurance, and to claim excess social security tax (for Puerto Rico only to claim the additional child or health coverage tax credits).

Form 1040-PR is used by self-employed persons in Puerto Rico to compute their self-employment tax. Form 1040-PR is a Spanish version of the Form 1040-SS. It is for use in Puerto Rico.

Form 1040 Schedule H (PR) is used by employers in Puerto Rico to report federal employment taxes on wages paid by household employees.

2. USE OF DATA

The data is used to determine whether the proper amount of self-employment tax is reported.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 1040-SS, 1040-PR and 1040-PR Sch H are 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 will be minimal if any impact to small businesses; the forms can be filed electronically, which further reduces any burden to small businesses.

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

The Form 1040-SS is a highly visible form used to report self-employment tax by self-employed individuals in Puerto Rico and the U.S. Territories. Residents of Puerto Rico also use the Form 1040-SS to take the Additional Child Tax Credit (ACTC). Less frequent information collections could lead to difficulties in tax administration in these jurisdictions pertaining to self-employment taxes, and the ACTC. The law related to the Health Coverage Tax Credit (HCTC) has changed frequently during the last several years. If such changes were missed due to infrequent information collections, self-employment tax may have been misstated. A less frequent collection of this information would 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

In response to the Federal Register notice dated February 19, 2021 (86 FR 10432), IRS received no comments during the comment period regarding Forms 1040-PR, 1040-SS, and Form 1040 Schedule H (PR).

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)” 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

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
Treas. Reg. 1.6017-1	Form 1040-SS	75,422	1	75,422	11.95	901,293
1.6017-1	Form 1040-PR	125,009	1	125,009	12.23	1,528,861
1.6017-1	Form 1040-PR Sch H	2,400	1	2,400	2.51	6,024
Totals				202,831		2,436,178*

* column foots to 2,436,178*. Difference of 1 due to rounding.

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0090 to these regulations:

1.6011-1	1.6017-1
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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 startup 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 1040PR	63,973	+	1,505	=	65,478
Instructions 1040PR	14,216	+	646	=	14,862
Sch. H (Form 1040PR)	42,649				42,649
Instr (Sch. H) (Form 1040PR)	14,216				14,216
Form 1040SS	49,757	+	932	=	50,689
Instr. (Form 1040SS)	14,216				14,216
Grand Total	199,027		3,083		202,110
Table costs are based on 2020 actuals obtained from IRS Chief Financial Office and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

- 1) On page 1, a virtual currency question and associated Yes/No checkboxes are inserted under the Foreign country name box directly above Part I.
- 2) On page 1, line 2, we have added a checkbox for filers with more than four qualifying children. Those who check the box will need to provide an attachment that includes the information from columns (a), (b), and (c) for each qualifying child over the four reported in Part I, Form 1040-SS. The Instructions for Form 1040-SS will provide additional information for this requirement.
- 3) On page 1, in the signature field, Identity Protection Strategy and Oversight (IPSO) has requested that a secondary Identity Protection (IP) PIN for the taxpayer's spouse be added to Forms 1040-SS and 1040-PR.

In Part I, we have added new line 11, which will be used to enter the deferral of self-employment and household employment taxes as permitted by Section 2302 of the CARES Act (PL 116-136).

At the top of new page 5, new Part VII is added, which will be used by filers to figure the maximum amount of self-employment tax that can be deferred. The entire amount of self-employment tax will still be reported on Part V, line 12, and carried to Part I, line 3. The deferral figured in new Part VII will be used in the worksheet in the 2020 Instructions for Form 1040-SS to figure the total amount of self-employment and household employment taxes (from Schedule H (Form 1040)) that can be deferred for 2020.

Other editorial changes were made through out the form and instructions.

The above changes will result in an overall increase in burden of 100,605 hours due to program changes. We also received better filing figures which resulted in decrease of

511,876 hours due to adjustment in agency estimates.

	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	202,831	0	0	-44,029	0	246,860
Annual Time Burden (Hr)	2,436,178*	0	100,607	-511,876	0	2,847,448

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 forms sunset 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 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.