

SUPPORTING STATEMENT
Internal Revenue Service
Employee Retention Credit for Employers Affected by Qualified Disasters
Form 5884-A
OMB Control Number 1545-1978

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Under Section 303 of the 2020 Tax Relief Act, an employer may be able to claim a “2020 Qualified Disaster Employee Retention Credit”. The employer had been conducting a trade or business within an area that became a Qualified Disaster Zone, that became inoperable, and the employer has to have paid wages to an employee who had been employed within that Qualified Disaster Zone.

Form 5884-A is used to figure certain credits for disaster area employers. These credits typically include employee retention credits for eligible employers who conducted an active trade or business in certain disaster areas. The credit is equal to 40 percent of qualified wages for each eligible employee (up to a maximum of \$6,000 in qualified wages per employee).

2. USE OF DATA

The information is used by employers and the IRS to determine whether the employee retention credit is available to businesses in certain disaster areas.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The IRS is currently offering electronic filing on Form 5884-A.

4. EFFORTS TO IDENTIFY DUPLICATION

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

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

IRS have attempted to minimize burden on small businesses or other small entities by closely following previous revisions of this form. The

form can be filed electronically, which further reduces any burden to small businesses.

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

If the IRS did not collect this information, the taxpayer and IRS would not have the information to determine whether the credit is appropriate. 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.

1. 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 April 6, 2021 (86 FR 17886), we received no comments during the comment period regarding form 5884-A.

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" and a Privacy Act System of Records notice (SORN) has been issued for these systems under IRS 24.046 BMF and IRS 34.047

Audit Trail and Security Records System. 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 5884-A is used to figure certain credits for disaster area employers; The credit is equal to 40 percent of qualified wages for each eligible employee (up to a maximum of \$6,000 in qualified wages per employee).

Burden Estimate as follows

| Authorizing Statute | Description | # Respondents | # Responses Per Respondent-Approximate | Total Annual Responses | Hours Per Response | Total Burden |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------|---------------|----------------------------------------|------------------------|--------------------|--------------|
| P. L. 116-260 Division EE, Sections 301 & 303 | Form 5884-A Employee Retention Credits for Employers Affected by Qualified Disasters | 250,000 | 1 | 250,000 | 2 hrs., 33 min. | 637,500 |

The individual filers burden is reported under 1545-0074 and the business filers burden is reported under 1545-0123. The above burden is for all other filers such as taxable cooperatives, estates, and trusts.

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 the form.

We estimate that the cost of printing the form and instruction is \$19,593.

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:

| Documents | <u>Aggregate Cost per Product (factor applied)</u> | | Printing and Distribution | | <u>Government Cost Estimate per Product</u> |
|------------------------------------------------------------------------------------------------------|----------------------------------------------------|---|---------------------------|---|---------------------------------------------|
| Form 5884-A | \$12,758 | + | 0 | = | \$12,758 |
| Instructions | \$6,835 | | 0 | | \$6,835 |
| Grand Total | \$19,593 | + | 0 | = | \$19,593 |
| Table Costs are based on actuals obtained from IRS Chief Financial Office and Media and Publications | | | | | |

1. REASONS FOR CHANGE IN BURDEN

Changes in burden estimates previously approved by OMB, resulted from a program change due to new statute P.L. 116-260, Div. EE, Sec. 301 & 303. Lines 1a through 1e that were previously used to claim credits for wages paid in 2017 were removed. Line 1f was changed to line 1a and added a new line 1b for the new credit and line 1g became line 1c. Because we are kept text from previous line 1f, filers of an original (late) or amended 2018 return could use either the new revision or the previous revision. The instructions will suggest using this new revision for tax years beginning after 2017. Tax Forms and Publications updated the separate Instructions for Form 5884-A to reflect the new credit; they contain a complete list of the 2020 qualified disaster zones along with the applicable period for each disaster. The changes to the form decrease the burden hours from 760,000 to 637,500 with an overall decrease of (122,500) burden hours.

| | 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 | 250,000 | 0 | 0 | 0 | 0 | 250,000 |
| Annual IC Time Burden (Hours) | 637,500 | (122,500) | 0 | | 0 | 760,000 |

2. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis, and publication.

3. 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.

4. 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.