

SUPPORTING STATEMENT
Internal Revenue Service
Form 8995, Qualified Business Income Deduction Simplified Computation
Form 8995-A, Deduction for Qualified Business Income, (Schedules A, B, C, and D)
OMB Control Number 1545-2294

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 11011 of the Tax Cuts and Jobs Act of 2017, P.L. 115-97, added Internal Revenue Code (IRC) section 199A to allow eligible taxpayers to claim the qualified business income deduction. In the legislative history of the 2017 tax act, Congress noted that the reduction in the corporate tax rate did not mitigate the high rates of tax imposed on businesses conducted by non-corporate taxpayers in passthrough form or through sole proprietorships.

IRC section 199A provides an income tax benefit to investors in non-corporate businesses, i.e., sole proprietorships, partnerships, and S corporations. Individuals, trusts, and estates who invest in such businesses may be eligible to claim a deduction of up to 20% of the qualified business income (QBI) earned by such non-corporate businesses.

Treasury Regulations section 1.199A-4 allows individuals to aggregate certain trades or businesses, treating them as one business for purposes of the QBI component calculation. The regulation requires the taxpayer to report specific information about each aggregated trade or business.

Forms 8995 and 8995-A (Schedules A-D) are used by taxpayers to figure their QBI deduction.

2. USE OF DATA

Forms 8995 and 8995-A (Schedules A-D) will be used by the Internal Revenue Service (Service) to verify that taxpayers are eligible to claim the QBI deduction.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing is currently available for Forms 8995 and 8995-A (Schedules A-D).

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 collection of information requirement will not have a significant economic impact on a substantial number of small entities.

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

A less frequent collection on federal programs would result in the IRS being unable to determine the

correct amount of QBI deduction that should be allowed on the tax return, thereby engendering the inability of the IRS to meet its mission. It would also limit the taxpayer's right to claim the deduction as provided by law.

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

The IRS received no comments during the comment period in response to the **Federal Register** notice (86 FR 29360), dated June 1, 2021.

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

No payment of gift has been provided to 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 "Individual Master File (IMF)" system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.030--Customer Account Data Engine Individual Master File, formerly Individual Master File, and IRS 34.037--IRS Audit Trail and Security Records System. The Department of Treasury 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

The IRS anticipates that there will be 41,426,000 respondents annually, for a total estimated burden of 336,107,360 hours annually. The time needed to complete and file the forms will vary depending on individual circumstances. At this time, individual, estate, and trust filers will be captured under OMB control number 1545-2294. The estimated burden for all taxpayers who file this form is shown below.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC 199A P.L. 115-97	Form 8995 (individual filers)	35,693,000	1	35,693,000	7.69	274,479,170
IRC 199A P.L. 115-97	Form 8995 (estate/trust filers)	632,000	1	632,000	7.69	4,860,080
IRC 199A P.L. 115-97	Form 8995-A (individual filers)	3,236,000	1	3,236,000	15.87	51,355,320
IRC 199A P.L. 115-97	Form 8995-A (estate/trust filers)	51,000	1	51,000	15.87	809,370
IRC 199A P.L. 115-97	Form 8995-A Sch A (individual filers)	218,000	1	218,000	4.64	1,011,520
IRC 199A P.L. 115-97	Form 8995-A Sch A (estate/trust filers)	4,000	1	4,000	4.64	18,560
IRC 199A P.L. 115-97	Form 8995-A Sch B (individual filers)	121,000	1	121,000	1.91	231,110
IRC 199A P.L. 115-97	Form 8995-A Sch B (estate/trust filers)	6,000	1	6,000	1.91	11,460
IRC 199A P.L. 115-97	Form 8995-A Sch C (individual filers)	1,265,000	1	1,265,000	2.29	2,896,850
IRC 199A P.L. 115-97	Form 8995-A Sch C (estate/trust filers)	28,000	1	28,000	2.29	64,120
IRC 199A P.L. 115-97	Form 8995-A Sch D (individual filers)	170,000	1	170,000	2.15	365,500
IRC 199A P.L. 115-97	Form 8995-A Sch D (estate/trust filers)	2,000	1	2,000	2.15	4,300
Total		41,426,000		41,426,000		336,107,360

The following regulation imposes no additional burden. Please continue to assign OMB number 1545-2294 to this regulation.

1.199A-4

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. These costs do not include any activities such as taxpayer assistance and enforcement.

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 8995	\$43,901	\$0	\$43,901
Form 8995 Instructions	\$121,825	\$0	\$121,825
Grand Total	\$165,726	\$0	\$165,726
Table costs are based on 2021 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

The change in burden reflects the addition of Form 8895-A and Schedules A, B, C, and D, including the individual filer burden for Form 8995. This increases the burden by 40,794,000 responses and 331,247,360 hours due to Agency Discretion. The burden for the Form 8995 estate and trust filers has increased due to better estimates. This increases the burden by 622,000 responses and 4,830,000 hours due to Agency Estimate. The estimated number of responses was updated based on the number of taxpayers claiming the deduction.

	Total Approved	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	41,426,000	0	40,794,000	622,000	0	10,000
Annual Time Burden (Hr.)	336,107,360	0	331,247,360	4,830,000	0	30,000

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

It is the view of the IRS that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form and/or regulation 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.