

**Supporting Statement
Internal Revenue Service
(Form 8621) Information Return by a Shareholder of a Passive Foreign Investment Company or
Qualified Electing Fund
OMB No #1545-1002**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

IRC, Section 1295, Qualified electing fund; states a taxpayer may make an election with respect to any passive foreign investment company for any taxable year of the taxpayer. Such an election, once made with respect to any company, shall apply to all subsequent taxable years of the taxpayer with respect to such company unless revoked by the taxpayer with the consent of the Secretary.

IRC, Section 1297(f)(2), Alternative facts and circumstances test for certain corporations; If a corporation fails to qualify as a qualified insurance corporation solely because the percentage is 25 percent or less, a United States person that owns stock in such corporation may elect to treat such stock as stock of a qualifying insurance corporation if the prescribed conditions are met.

IRC, Section 1298, Special rules; regarding the treatment of stock of a passive foreign investment company as owned by a United States person, and except to the extent provided in regulations, shall not apply to treat stock owned by a United States person as owned by any other person.

Form 8621, is used by person that owns stock of a foreign corporation and elects to treat such stock as the stock of a qualifying insurance corporation under the alternative facts and circumstances test

2. USE OF DATA

The IRS uses Form 8621 to determine if the shareholder has correctly computed his or her income tax, and correctly elected and computed any additional tax and interest.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS has no plans at this time to offer electronic filing at this time due to the low number of filers.

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. The Agency will

continue to as applicable find ways to reduce the burden on small businesses or other small entities.

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

A less frequent collection would prevent the IRS from ensuring shareholders are correctly computing their income taxes and making accurate and timely elections for tax purposes.

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).

2. 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 5, 2021 (86 FR 42978), we received one comment during the comment period regarding Form 8621.

Commenter: David F. Pearce, American Property Casualty Insurance Association, on behalf of the American Property Casualty Insurance Association, National Association of Mutual Insurance Companies, the American Council of Life Insurers and the Reinsurance Association of America (the Trades).

Summary: The commenter feel's "that the Form 8621 annual reporting required by the general rule of the HIRE Act results in a compliance burden that is unnecessary to support the U.S. partner's recognized income for highly regulated financial institutions such as U.S. Property and Casualty and Life insurance companies. We respectfully request that you exercise your authority under the HIRE Act to provide an exception and roll back the reporting requirements for these entities to those in place prior to the HIRE Act".

Agency Response: We reviewed the comment submitted by the American Property Casualty Insurance Association, the National Association of Mutual Insurance Companies, the American Council of Life Insurers and the Reinsurance Association of America on October 1, 2021, concerning reducing paperwork and respondent burden for a U.S. partner of a foreign partnership that owns a passive foreign investment company ("PFIC"). The addition of section 1298(f) to the Internal Revenue Code (the "Code") in 2010 and the regulations thereunder (applicable to tax years ending on or after 12/31/2013) require additional reporting. In finalizing the regulations under section 1298(f) of the Code, certain exceptions were provided based on comments received. However, an exception was not provided for indirect shareholders who did not recognize income or made an election with respect to the PFIC for the taxable year. The regulations allow for the collection of information as provided in Form 8621, which include information on PFIC share ownership and valuation. The burden associated with this OMB number was updated in 2015 to take into account these changes that are applicable

to tax years ending on or after 12/31/2013. Regulations to change the reporting requirements under section 1298(f) of the Code are not on the Priority Guidance Plan (“PGP”). However, if or when changes to the regulations under section 1298(f) or Form 8621 are on the PGP, we may reconsider this issue.

3. 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 “Information Returns Master-file (IRMF)”, “Information Returns Processing (IRP)” and Privacy Act System of Records notices (SORN) has been issued for these systems under Treasury/IRS 22.061–Information Return Master File (IRMF); Treasury/IRS 24.030–Customer Account Data Engine Master File; and IRS 34.037–IRS Audit Trail and Security Records System. The Internal Revenue Service PIA’s can be found at <https://www.irs.gov/privacy-disclosure/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 estimated burden for individual and business taxpayers filing this form is approved under OMB control number 1545-0074 and 1545-0123 and is included in the estimates shown in the instructions for their individual and business income tax return.

See below, the estimated burden for all other taxpayers including estates, trusts, and partnerships who file this form is reported under 1545-1002.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC 1295, 1297, 1298	Form 8621	1,333	1	1,333	48.99	65,304
Totals		1,333				65,304

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 its 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.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form 8621	17,576	+	0	=	17,576
Instructions 8621	5,859	+	0	=	5,859
Grand Total	23,434				23,434

Table costs are based on 2021 actuals obtained from IRS Chief Financial Office and Media and Publications

15. REASONS FOR CHANGE IN BURDEN

There are no changes to the form or response/respondent estimates that would affect burden at this time.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

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

1. 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 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.

2. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certificate 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.