

SUPPORTING STATEMENT  
Internal Revenue Service  
Form 1116, Foreign Tax Credit, and Schedules B & C

OMB Control Number 1545-0121

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 901 of the Internal Revenue Code (IRC) allows taxpayers to claim a credit for certain taxes paid or accrued during the taxable year to a foreign country or a possession of the United States, subject to the limitations of IRC section 904. IRC section 904(c) allows the amount of taxes paid or accrued in the taxable year that exceed the foreign tax credit limitation to be used in the credit calculation for either the first preceding taxable year or any of the first 10 succeeding taxable years. IRC section 905(c) requires the taxpayer to notify the IRS to redetermine the amount of tax when specific circumstances affect the foreign tax credit claimed for a tax year. The Treasury Regulations for IRC sections 904 and 905 provide guidance and reporting requirements relating to the foreign tax credit.

Form 1116 is used by individuals, estates, and trusts to determine and claim the foreign tax credit for a taxable year. Schedule B (Form 1116) is used to reconcile the taxpayer's prior year foreign tax carryover with their current year foreign tax carryover. Schedule C (Form 1116) is used to identify current year foreign tax redeterminations in each separate category, the years to which they relate, and other information that satisfies the taxpayer's obligation to notify the IRS of foreign tax redeterminations that occurred in the current year that relate to prior years.

The Tax Cuts and Jobs Act, P.L. 115-97, increased the complexity of tracking the foreign tax credit carryovers and mandated retroactive adjustments to U.S. tax liability when foreign taxes claimed as credits are redetermined. The new schedules for Form 1116 will aid compliance and make available the necessary information needed for examining the foreign tax credit.

The information collection burden estimates associated with the filing of Form 1116 and its schedules by individuals are covered under OMB Control Number 1545-0074. This information collection request (ICR) reflects only the burdens associated with the filing of Form 1116 and its schedules by estates and trusts that are claiming the foreign tax credit.

2. USE OF DATA

Form 1116 and its schedules reflect certain reporting and recordkeeping requirements placed on taxpayers claiming a foreign tax credit by IRC sections 901, 904, and 905. The IRS will use the data collected to determine if the taxpayer properly computed and reported the required information to claim the foreign tax credit.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 1116 and its schedules 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

There is no flexibility to reduce burden on small businesses or other small entities because the statutes apply to small businesses and small entities.

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

A less frequent collection would not allow IRS to make the determination of the tax treatment of the foreign tax credit and therefore not allow the IRS to meet 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).

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 (86 FR 59270), dated October 26, 2021, we received no comments during the comment period regarding Form 1116, Schedule B, or Schedule C.

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

No payment or gift has been provided to any respondents.

4. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 U.S.C. 6103.

5. 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" and "Customer Account Data Engine" system and Privacy Act System of Records notices (SORN) has been issued for these systems under IRS 24.030-Customer Account Data Engine Individual Master File; IRS 24.046-Customer Account Data Engine Business Master File; IRS 26.009-Lien Files, (open and closed); IRS 26.013-Trust Fund Recovery Penalty Cases; IRS 26.019-Taxpayer Delinquent Account Files, and IRS 34.037-IRS Audit Trail and Security Records System. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/privacy-disclosure/privacy-impact-assessments-pia>.

Title 26 U.S.C. 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.

This is an attachment to the federal tax return. The Privacy Act statement associated with this form is listed in the federal tax return instructions.

6. ESTIMATED BURDEN OF INFORMATION COLLECTION

The estimated burden imposed on individual taxpayers is captured under OMB control number 1545-0074. This information collection captures the estimated burden associated with estates and trusts that file Form 1116 and its schedules. The IRS anticipates that there will be 454,326 estate and trust respondents annually, for a total estimated burden of 2,531,600 hours annually.

The burden estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC § 901	Form 1116	400,000	1.03581375	414,326	6.05	2,506,600
IRC § 904	Form 1116 (Schedule B)	20,000	1	20,000	.50	10,000
IRC § 905	Form 1116 (Schedule C)	20,000	1	20,000	.75	15,000
<b>Totals</b>		400,000		454,326		2,531,600

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0121 to these regulations:

1.1502-9	1.861-9T	1.904-1 through 5
1.6011-1	1.904(f)-1 through 6	1.905-3 through 5

7. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There are no capital/start-up or ongoing operation/maintenance costs associated with this information collection.

8. 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.

<b>Product</b>	<b>Aggregate Cost per Product (factor applied)</b>	<b>Printing and Distribution</b>	<b>Government Cost Estimate per Product</b>
Form	\$68,486	\$799	\$69,284
Form Instructions	\$74,193	\$1,397	\$75,590
<b>Grand Total</b>	<b>\$142,678</b>	<b>\$2,196</b>	<b>\$144,874</b>
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.			

9. REASONS FOR CHANGE IN BURDEN

Form 1116 Schedules B and C were developed to assist taxpayers in complying with the changes made to the IRC by the Tax Cuts and Jobs Act, P.L. 115-97, and accurately report the required information to the IRS. The change in burden reflects the addition of Schedules B and C filed by estates and trusts. This increases the burden by 40,000 responses and 25,000 hours due to New Statute.

	<b>Total Approved</b>	<b>Change Due to New Statute</b>	<b>Change Due to Agency Discretion</b>	<b>Change Due to Adjustment in Estimate</b>	<b>Change Due to Potential Violation of the PRA</b>	<b>Previously Approved</b>
Annual Number of Responses	454,326	40,000	0	0	0	414,326
Annual Time Burden (Hr.)	2,531,600	25,000	0	0	0	2,506,600

10. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

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

11. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

The 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 IRS intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

12. 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.