

Supporting Statement
Internal Revenue Service
OMB# 1545-1502
(Form 5304-SIMPLE, Form 5305-SIMPLE, and Notice 98-4)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1421 of the Small Business Job Protection Act of 1996 established the savings incentive match plan for employees of small employers (SIMPLE IRA plan) under Code section 408(p). Contributions to a SIMPLE plan are made to individual retirement accounts or annuities (SIMPLE IRAs) that are established pursuant to the SIMPLE IRA plan adopted by the employer.

Under Code sections 408(l) & (p), an employer that maintains a SIMPLE IRA plan must notify each eligible employee of the employee's opportunity to enter into a salary reduction agreement or to modify a prior agreement, to select his or her own SIMPLE IRA (or if the employer makes all contributions to a designated financial institution, to transfer his or her balance to another financial institution without cost or penalty), and the employer's election, if any, to make a reduced matching contribution or a nonelective contribution in lieu of a matching contribution. In addition, the employer must provide each employee with a summary plan description. An employee who elects to participate in the SIMPLE IRA plan must notify the employer of his or her election, and if applicable, the SIMPLE IRA he or she has selected.

Under Code sections 408(i) & (l), the trustee of a SIMPLE IRA must provide the employer maintaining a SIMPLE IRA plan with a summary plan description each year. In addition, the trustee must provide each SIMPLE IRA participant with an annual account statement.

Form 5304-SIMPLE is a model SIMPLE IRA agreement that was created to be used by an employer to permit employees who are not using a designated financial institution to make salary reduction contributions to a SIMPLE IRA described in section 408(p) of the Internal Revenue Code.

Form 5305-SIMPLE is a model SIMPLE IRA agreement that was created to be used by an employer to permit employees who are using a designated financial institution to make salary reduction contributions to a SIMPLE IRA described in section 408(p) of the Internal Revenue Code.

2. USE OF DATA

The data is used to verify the following information: (1) that the employer has a qualified SIMPLE IRA plan; (2) that the employer may deduct contributions to the SIMPLE IRAs associated with such plan on the employer's income tax return; and (3) that contributions made to the SIMPLE IRA plan on behalf of employees are not includible in income. In addition, the data is used to

provide employees with the information they need to make salary reduction contributions and to withdraw or transfer contributions made on their behalf.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The respondent to this form is instructed not to file this form with the IRS therefore electronic filing is not possible. IRS Publications, Regulations, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998.

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

Consequences of less frequent collection on federal programs or policy activities would result in inaccurate data used to provide employees with the information they need to make salary reduction contributions and to withdraw or transfer contributions made on their behalf.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

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 (87 FR 23321), dated April 19, 2022, we received no comments during the comment period regarding Form 5304-SIMPLE, Form 5305-SIMPLE, and Notice 98-4.

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

No payment or 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 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

No sensitive personally identifiable information is being collected by the agency. Information is being shared by the employer and issuer and only provided during an inquiry or audit.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Notice 98-4 provides guidance for approximately 300,000 employers and trustees regarding how they can comply with the notification and reporting requirements in approximately 15 minutes for a total of 75,000 burden hours.

Form 5304-SIMPLE is a model SIMPLE IRA agreement with a response time of 6.4 hours that was created to be used by employers to permit employees (approximately 100,000) who are not using a designated financial institution to make salary reduction contributions to a SIMPLE IRA described in section 408(p) of the Internal Revenue Code. The total annual burden hours is 640,000.

Form 5305-SIMPLE is a model SIMPLE IRA agreement with a response time of approximately 7 hours that was created to be used by an employer to permit employees (approximately 200,000) who are using a designated financial institution to make salary reduction contributions to a SIMPLE IRA described in section 408(p) of the Internal Revenue Code. The total annual burden hours is 1,398,000.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
§408	Form 5304-SIMPLE	100,000	1	100,000	6.40	640,000
§408	Form 5305-SIMPLE	200,000	1	200,000	6.99	1,398,000
	Notice 98-4	300,000	1	300,000	.25	75,000
Totals		600,000		600,000		2,113,000

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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distributing, and paying overhead for these forms is \$46,534.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

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 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. EXCEPTION 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.