

## **SUPPORTING STATEMENT**

Request for Transcript of Tax Return  
Form 4506-T Request for Transcript of Tax Return  
Form 4506-C IVES Request for Transcript of Tax Return  
OMB Control Number 1545-1872

### **1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Form 4506-T is used by taxpayers to request copies of their tax return information, such as transcripts or 1099/W-2 information. The information requested (name and address, taxpayer identification number(s), tax period, and the taxpayer's signature) is needed to assure the Service that it is not violating the confidentiality and disclosure requirements under Section 6103 of the Internal Revenue Code.

Form 4506-C was created to be utilized by authorized Income Verification Express Service (IVES) Participants to order Tax Transcript records electronically for a third party. In effort to protect taxpayer information, a policy change was implemented for the Form 4506 series which no longer permits the mailing of tax returns to third parties that have not been vetted through the agency. The IVES program is a fee for service program with external customers guaranteed a 72-hour response. This collection impacts taxpayers by allowing the third parties to request a transcript of a return that will assist with securement of mortgages, loans, student aid, and other benefits.

### **2. USE OF DATA**

Form 4506-T is used by the Service to locate the requested tax information and ensure that the taxpayer has authorized the information.

Form 4506-C is used by the Service to receive authorization of Income Verification Express Service(IVES) Participants to order Tax Transcript records electronically for a third party.

### **3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

Transcripts can be requested by using the automated self-help service tools at IRS.gov. The agency also accepts the form by fax. Participants can order Tax Transcript records electronically for a third party.

### **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 are no small entities affected by this collection because it is mainly used for individuals per IRC Section 7513.

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

Consequences of less frequent collection on federal programs or policy activities would consist of: decreased amount of taxes collected by the Service, inaccurate and untimely filing of tax returns, and an increase in tax violations. The impact of not collecting the information on the Form 4506-C would not allow authorization of Income Verification Express Service (IVES) Participants to order Tax Transcript records electronically for a third-party requests. It would thereby increase the burden on taxpayers and subject them to further harm by reducing their ability to secure Federal and private industry benefits in a safe method.

#### **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**

We received 2 comments during the comment period in response to the **Federal Register** notice (84 FR 35709), dated July 24, 2019.

Comments were solicited from an IVES working group concerning the 4506-C IVES Request for Transcript of a Tax Return. While waiting for OMB approval, IVES participants can use the 3-2019 version of Form 4506-T to obtain enough lead time to communicate the changes to their clients/customers. In the 6-2019 revision, Form 4506-T revision, Line 5a is eliminated, and IVES needs line 5a to request the information of the third party. The IRS would like the Form 4506-C to be available to the public to mitigate any future confusion as to what revision of the form to use.

The financial software company, Finastra, provides Form 4506-T to their financial institution clients. They are in the process of updating Form 4506-T when their clients requested that they hold off because IVES participants were not able to use it. They requested the following information by email.

- Can you please clarify if Form 4506-C is in use now, or is it being developed?
- If it is currently being developed, what are IVES participants doing now? Are they using the prior version of Form 4506-T?

IRS responded by email with; The Form 4506-C is currently in development. IVES Participants are currently able to use the March 2019 revision of Form 4506-T.

Finestra followed up by email with; IVES requires use of the March 2019 version until new Form 4506-C is released. Can you confirm that RAIVS is requiring the newer June 2019 version, or did the effective date of the policy change get extended?

IRS responded by email with; RAVS requires the new version of Form 4506-T (06-2019)

A second comment was received from Tadd Johnson, SBA Operations Officer of Midwest One Bank requesting a copy of the new form 4506-C and asking for the proposed time of implementation. IRS responded by providing a draft copy of the Form 4506-C via fax.

## **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 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 "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**

During 2018 - the Form 4506-T was utilized by both the individual taxpayers and the Income Verification Express Service (IVES) participants on behalf of taxpayers.

The Form 4506-T will continue to be utilized by the individual taxpayers without a third party request. The IVES participants (with third party requests) will require the creation of the Form 4506-C to continue to request transcripts on behalf of taxpayers. While waiting for OMB approval, IVES participants can use the 3-2019 version of Form 4506-T to obtain enough lead time to communicate the changes to their clients/customers.

The estimated time to complete Form 4506-T ranges from 42 minutes to 51 minutes, depending on individual circumstances and the method used to complete and submit the form. The agency estimates there will be 263,857 responses for an estimated annual burden total of 203,169 hours.

Respondents use Form 4506-C to request tax return information through an authorized Income Verification Express Service (IVES). IRS anticipates 18,000,000 respondents will take .71 hours to complete Form 4506-C for a total of 12,600,000 annual hours.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC 6103(c)	4605-T	263,857	1	263,857	.77	203,169
IRC 6103(c)	4605-C	18,000,000	1	18,000,000	.70	12,600,000
Total				18,263,857		12,803,169

The following regulations impose no additional burden. Please continue to assign OMB number 1545-1872 to these regulations:

601.702(c)(4)  
601.702(c)(10)  
301.7513-1

**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 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.

Product	Aggregate Cost per Product (factor applied)	Printing and Distribution	Government Cost Estimate per Product
Form 4506-T	10,024		10,024
Form 4506-C	10,024		10,024
<b>Grand Total</b>	20,048		20,048
Table costs are based on 2018 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**

26 USC 6103(c) permits the taxpayer to request the disclosure of tax records to designated parties. In effort to securely protect taxpayer information, a policy change was implemented for the Form 4506 series which no longer permits the mailing of tax returns to third parties that have not been vetted through the agency.

Currently 18 million requests for tax return information is received annually for the IVES program on behalf of the authorizing taxpayer. These requesting taxpayers utilize this return information to support the applications of mortgages, loans, student aid, and other benefits. The IVES customer base are third party clients that cleared security and are fully vetted to receive Taxpayer transcripts.

The IRS policy change is in effect August 2019. While waiting for OMB approval, IVES participants can use the 3-2019 version of Form 4506-T to obtain enough lead time to communicate the changes to their clients/customers.

In order to continue to support the established IVES program the IRS requires the implementation of a separate form 4506-C. Form 4506-C has been created to support the need of the IVES client base, an existing clientele with security approval. Form 4506-C will permit the cleared and vetted IVES clients to request tax return information on the behalf of the authorizing taxpayer.

In addition, the filer numbers have been updated to reflect the current filing volumes of this information collection.

Total change in information collection reported under 1545-1872

Total change 1545-1872	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	18,263,857	0	18,000,000	-456,143	0	720,000
Annual Time Burden (Hr)	12,803,169	0	12,600,000	-352,431	0	555,600

#### Annual Responses and Burden with Changes Form 4506-T

4506-T	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	263857	0	0	-456143	0	720000
Annual IC Time Burden (Hours)	203169	0	0	-352431	0	555600

#### Annual Responses and Burden Form 4506-C

4506-C	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	18000000	0	18000000	0	0	0
Annual IC Time Burden (Hours)	12600000	0	12600000	0	0	0

**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.