

SUPPORTING STATEMENT

Internal Revenue Service

Excise Tax on Structured Settlement Factoring Transactions (Form 8876)

OMB Control Number **1545-1826**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

In general, IRC 5891, Structured settlements factoring transactions, applies to structured settlement factoring transactions. The purpose of IRC 5891, is to stop the purchasers of structured settlements from taking advantage of recipients who are entitled to tax free settlements, such as the settlements paid to the victims of the September 11 World Trade Center attack

Form 8876, *Excise Tax on Structured Settlement Factoring Transactions*, is used to report and pay the 40% excise tax imposed under section 5891 on the factoring discount of a structured settlement transaction.

There is no change to the burden previously approved by OMB. We are making this submission for renewal purposes only.

2. USE OF DATA

The information provided on Form 8876 is used to verify compliance with Section 5891 and its regulations.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The form is not electronically filed. The IRS has no plans at this time to offer electronic filing because of the low filing volume.

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 minimal to no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity. The recordkeeping/reporting requirement is the minimum necessary to ensure compliance with existing regulations under section 157.5891-1.

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

Form 8876, *Excise Tax on Structured Settlement Factoring Transactions*, is used to report and pay the 40% excise tax imposed under section 5891 on the factoring discount of a structured settlement factoring transaction. Less frequent collection would prevent IRS from imposing the excise tax under IRC Sec. 5891.

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

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Form 8876.

In response to the *Federal Register* notice dated March 23, 2022 (87 FR 16554), we received no comments during the comment period regarding Form 8876.

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 USC 6103.

5. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the "Business Master File (BMF)" system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.046-Customer Account Data Engine Business Master File. 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.

6. ESTIMATED BURDEN OF INFORMATION COLLECTION

Form 8876 is used to report and pay the 40% excise tax imposed under section 5891 on the factoring discount of a structured settlement transaction.

It is anticipated that there will be 100 respondents that respond once with a response time of 5 hours, .36 minutes totaling 560 burden hours.

The burden estimate is as follows:

Form	Number of Respondents	Responses per Respondent	Annual Responses	Hours per Response	Total Burden
Form 8876	100	1	100	5.60	560
Totals	100	1	100	5.60	560

7. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The IRS currently estimates the cost burden on respondents to be nominal. 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.

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.

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 8876	\$10,936	0	\$10,936
Total	10,936	0	10,936
Table costs are based on 2021 actuals obtained from IRS Chief Financial Officer and Media and Publications			

9. REASONS FOR CHANGE IN BURDEN

There is no change to the burden previously approved by OMB. We are making this submission for renewal purposes only.

	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	100	0	0	0	0	100
Annual Time Burden (Hr.)	560	0	0	0	0	560

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

We believe 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.

12. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

Note: The following paragraph applies to all 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 if 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.