

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Country-by-Country Reporting
Form 8975 and Schedule A (Form 8975)

OMB Control Number 1545-2272

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) section 6038 requires every U.S. person to furnish specific information to the IRS with respect to any foreign business entity such person controls.

Treasury Regulations section 1.6038-4, issued under the authority of IRC sections 6001, 6011, 6012, 6031, 6038, and 7805, requires every ultimate parent entity of a U.S. multinational enterprise (MNE) group with \$850,000,000 or more in revenue in the prior reporting period to file an annual return reporting certain information with respect to their global operations.

Form 8975, Country-by-Country Report, is the annual return used by the ultimate parent entity to provide the required information. A separate Schedule A (Form 8975) is filed with Form 8975 for each tax jurisdiction in which a group has one or more constituent entities resident.

2. USE OF DATA

The information collected through Form 8975 and Schedule A (Form 8975) will be used by the IRS to assist with better enforcement of the federal income tax laws and for high-level assessment of transfer pricing and other tax risks.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 8975 and Schedule A (Form 8975) is currently available.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available or use or adaption from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

There is no burden on small businesses or entities by this collection. Treasury Regulations section 1.6038-4(h) exempts groups with less than \$850,000,000 in the prior reporting year from the reporting requirement.

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

IRC section 6038(a)(2) requires the information to be collected on an annual basis . A less frequent collection of information would adversely affect the government's effectiveness, reduce the oversight of the public in ensuring compliance with Internal Revenue Code, and

hinder the IRS from meeting its mission.

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

In response to the Federal register notice dated January 5, 2023, (88 FR 910), the IRS received public comments from the European Union Tax Observatory (EUTAX) and the Financial Accountability and Corporate Transparency (FACT) Coalition. The full comments will be included within submission to the Office of Management and Budget (OMB). The summary of the comments and the IRS responses are below:

EUTAX Comments dated March 3, 2023

Comment Number	Summary of public comment	IRS response
1.	The EU Tax Observatory (EUTAX) recommends , in order to enhance data quality and comparability between U.S. MNE groups, clarifying and making uniform the treatment and computation of “equity accounted units” because a U.S. MNE group’s share of an equity accounted unit’s after-tax profit or loss may be included in a single line in the U.S. MNE group’s consolidated financial statements, but its shares of the equity accounted unit’s other items (for example, tangible assets) might not be included in the U.S. MNE group’s consolidated financial statements.	The IRS declines to adopt the recommendation. Only information with respect to each constituent entity of the U.S. MNE group is required to be reported on Form 8975.
2.	EUTAX recommends , in order to enhance data quality and comparability between U.S. MNE groups, clarifying and making uniform the treatment and computation of “accumulated earnings” and “stated capital” because they could reflect double counting.	The IRS declines to adopt the recommendation. The recommendation is not clear regarding the double counting concern giving rise to the recommendation.

3.	EUTAX recommends that Form 8975 collect additional information on a country-by-country basis, including: (i) the amount of wages; (ii) the amount of intangibles; (iii) R&D expenses; (iv) intracompany management and administration fees, dividends, royalties and interests; and (v) sales by destination.	<p>The IRS will request information that it identifies as being useful and for which it has authority to request, as appropriate.</p> <p>The information requested on Form 8975 is based on the model template for the collection of country-by-country information from large MNE groups that was developed by the Group of 20 (G20) and the Organisation for Economic Co-operation and Development (OECD) in coordination with other countries. The model template reflects an agreed international standard for reporting by MNE groups that promotes consistency of reporting obligations across tax jurisdictions and reduces the risk that other countries will depart from the agreed standard by imposing inconsistent and overlapping reporting obligations on U.S. MNE groups.</p>
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FACT Comments dated March 6, 2023

Comment Number	Summary of public comment	IRS response
1.	The Financial Accountability and Corporate Transparency (FACT) Coalition recommends that Treasury and the IRS confirm that it will continue collecting country-by-country reporting information on Form 8975.	The IRS confirms that it will continue collecting country-by-country reporting information on Form 8975, consistent with section 1.6038-4.
2.	The FACT Coalition recommends that Treasury and the IRS timely and completely publish aggregated country-by-country information from Forms 8975.	The IRS Statistics of Income (SOI) division publishes data on a schedule based on various factors. For additional information, please visit https://www.irs.gov/statistics/soi-tax-stats-release-and-dissemination .
3.	The FACT Coalition recommends that Treasury and the IRS reconsider the partial exemption to country-by-country reporting for specified national security contractors under Notice 2018-31 (2018-16 I.R.B. 501, 2018 WL 1783180), which the FACT Coalition describes as “overly broad.”	The IRS appreciates the commentor’s recommendation. However, the recommendation is beyond the scope of the Federal Register comment solicitation for Form 8975. For additional information, please visit the Frequently Asked Questions (FAQs) – Country -by-Country Reporting page at https://www.irs.gov/businesses/international-businesses/frequently-asked-questions-faqs-country-by-country-reporting .

4.	The FACT Coalition recommends that Treasury and the IRS state the ways that the information gathered from Form 8975 has been useful to the IRS as it relates to the reasons described in connection with the promulgation of section 1.6038-4: (i) tax compliance; (ii) tax enforcement; and (iii) international collaboration with partner jurisdictions.	The IRS appreciates the commentor's recommendation. However, the recommendation is beyond the scope of the Federal Register comment solicitation for Form 8975. For additional information, please visit the Frequently Asked Questions (FAQs) - Country -by-Country Reporting page at https://www.irs.gov/businesses/international-businesses/frequently-asked-questions-faqs-country-by-country-reporting
5.	The FACT Coalition recommends that Treasury and IRS state any information that it has identified that would make country-by-country reporting more helpful and request such information pursuant to applicable authority, including 26 U.S.C. 6038.	The IRS will request information that it identifies as being useful and for which it has authority to request, as appropriate. The information requested on Form 8975 is based on the model template for the collection of country-by-country information from large MNE groups that was developed by the Group of 20 (G20) and the Organisation for Economic Co-operation and Development (OECD) in coordination with other countries. The model template reflects an agreed international standard for reporting by MNE groups that promotes consistency of reporting obligations across tax jurisdictions and reduces the risk that other countries will depart from the agreed standard by imposing inconsistent and overlapping reporting obligations on U.S. MNE groups.
6.	The FACT Coalition recommends that Treasury and the IRS clarify the reason for increasing the cost estimates for U.S. multinational enterprise groups ("U.S. MNE groups") filing Form 8975, considering that if the United States did not collect the information required to be reported on Forms 8975, other jurisdictions would collect such information.	The IRS has recalculated the estimated burden to account for estimated time to complete Form 8975 and Schedule A (Form 8975) separately. Updated estimates for the number of respondents and responses were updated based on actual filings.

9. 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 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request, and a Privacy Act System of Records notice (SORN) has been issued for these systems under Treasury/IRS 22.062 - Electronic Filing Records, Treasury/IRS 24.046 - CADE Business Master File (BMF), and Treasury/IRS 34.037 - Audit Trail and Security Records. 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.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

IRC section 6038 requires every U.S. person to furnish specific information to the IRS with respect to any foreign business entity such person controls. This collection includes the estimated burden for businesses, certain trusts, and tax-exempt organizations filing Form 8975. The IRS anticipates that there will be approximately 46,790 responses annually, with a total estimated burden of 299,822 hours annually. The estimated burden is shown below.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden Hours
IRC 6038	Form 8975	2,045	1	2,045	4.83	9,877
IRC 6038	Schedule A (Form 8975)	2,045	21.88	44,745	6.48	289,945
Totals		4,090		46,790		299,822

The following regulation imposes no additional burden. Please continue to assign OMB number 1545-2272 to this regulation.

1.6038-4

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

From our Federal Register notice, dated January 5, 2023, no public comments on the estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information were received. However, to ensure more accuracy and consistency across its information collections, the IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, the 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 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.

Product	Aggregate Cost per Product (factor applied)	Printing and Distribution	Government Cost Estimate per Product
Form 8975	\$20,135	\$0	\$20,135
Form 8975 Instructions	\$5,873	\$0	\$5,873
Schedule A (Form 8975)	\$20,135	\$0	\$20,135
Grand Total	\$46,143	\$0	\$46,143
Table costs are based on 2022 actuals obtained from IRS Chief Financial Office and Media and Publications			

15. REASONS FOR CHANGE IN BURDEN

The change in burden reflects a recalculation of the estimated burden hours to file Form 8975 and Schedule A (Form 8975). The change also reflects better estimates for respondents and responses per form. This increases the estimated number of responses by 43,670 and the estimated burden hours by 295,142 hours due to Agency Estimate.

	Total Approved	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	46,790	0	0	43,670	0	3,120
Annual Time Burden (Hr)	299,822	0	0	295,142	0	4,680

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

The data on these forms and schedules will be used for statistical analysis and publication. The assessments and analyses will be done in accordance with the Organisation for Economic Cooperation and Development (OECD), Guidance on the Appropriate Use of Information Contained in CbC Reports, and in accordance with our double taxation convention (DTC) and tax information exchange agreement (TIEA) obligations and competent authority arrangement (CAA) commitments. SOI will publish data per filing year on an annual basis with regard to

number of filers, revenues, profit, income taxes, earnings, number of employees, and tangible assets.

17. 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 form expires 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.

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.