

SUPPORTING STATEMENT

Internal Revenue Service

U.S. Employment Tax Returns and related Forms

Forms CT-1, CT-1X, CT-2, SS-8, SS-8 (PR), W-2, W-2 AS, W-2 C, W-2 GU, W-2 VI, W-3, W-3 (PR), W-3 C, W-3 C (PR), W-3 SS, 940, 940 (PR), 940 SCH A, 940 SCH A (PR), 940 SCH R, 941, 941 (PR), 941 SCH B, 941 SCH B (PR), 941 SCH D, 941 SCH R, 941 SS, 941 X, 941 X (PR), 943, 943 (PR), 943 A, 943 A (PR), 943 SCH R, 943 X, 943 X (PR), 944, 944 X, 945, 945 A, 945 X, 2032, 2678, 8027, 8027 T, 8453 EMP, 8850, 8879 EMP, 8922, 8952, and 8974.

OMB Control Number 1545-0029

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Sections 6011 & 6012 of the Internal Revenue Code (IRC) require entities to prepare and file employment tax returns quarterly. These forms and related schedules are used by employers to report employee income and other compensation subject to tax as well as to report and disclosure taxes paid.

Regulations section 31.6011(a)-5 explains that every employer is required to make a return for the first calendar quarter in which the employer pays wages, other than wages for agricultural labor, subject to the tax imposed by the Federal Insurance Contributions Act, and is required to make a return for each subsequent calendar quarter (whether or not wages are paid therein) until the employer has filed a final return in accordance with § 31.6011(a)-6. The return or statement shall include therein the information required by the applicable regulations or forms.

OMB clearance for the burden estimate will be requested before the relevant tax filing season but after the IRS has had the opportunity to update its models with prior year data and to make necessary revisions to draft forms (including providing drafts to public for comment) and is sought on an annual basis instead of on the regular 3-year Paperwork Reduction Act (PRA) cycle. Doing so ensures that new and updated forms can be made available for use on a timelier basis.

This information collection request (ICR) covers the actual reporting, recordkeeping, and third-party disclosure burden associated with the forms, listed below, and their affiliated schedules and regulations.

Form CT-1, Employer's Annual Railroad Retirement Tax Return, is used by railroad employers to annually report taxes imposed by the Railroad Retirement Tax Act (RRTA) and claim eligible employer tax credits.

Form CT-1X, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund is used to correct errors on a previously filed Form CT-1.

2

Form CT-2, Employee Representative's Quarterly Railroad Tax Return, is used by employee representatives quarterly to report compensation on which railroad retirement taxes are due. Form CT-2 also transmits the tax payment.

Form SS-8, Request for Determination of Worker Status for Purposes of Federal Employment Taxes, and Income Tax Withholding is used to request a determination of the status of a worker under the common law rules for purposes of federal employment taxes and income tax withholding.

Form SS-8PR, Determinación del Estado de Empleo de un Trabajador para Propósitos de las Contribuciones Federales Sobre el Empleo is used to request a determination of the status of a worker under the common law rules for purposes of federal employment taxes and income tax withholding (Puerto Rican).

Form W-2, Wage and Tax Statement, is used to report an employee's income from the prior year and how much tax the employer withheld.

Form W-2 AS, American Samoa Wage and Tax Statement, is used by employers to report American Samoa wages from the prior year and how much tax the employer withheld.

Form W-2 C, Transmittal of Corrected Wage and Tax Statements, is used to correct errors on Form W-2, W-2AS, W-2CM, W-2GU, W-2VI, or W-2c filed with the Social Security Administration (SSA).

Form W-2 GU, Guam Wage and Tax Statement, is used by employers to report Guam wages from the prior year and how much tax the employer withheld.

Form W-2 VI, U.S. Virgin Islands Wage and Tax Statement is used by employers to report U.S. Virgin Islands wages from the prior year and how much tax the employer withheld.

Form W-3, Transmittal of Wage and Tax Statements, is used to transmit W-2 series forms to SSA for processing.

Form W-3 , Transmittal of Wage and Tax Statements, is used to transmit Copy A of Forms W-2.

Form W-3 PR, Informe de Comprobantes de Retención Transmittal of Withholding Statements, is used to transmit W-3 PR forms to SSA for processing.

Form W-3 C, Transmittal of Corrected Wage and Tax Statements, is used to correct previously filed W-3 forms.

3

Form W-3 C PR, Transmision de Comprobantes de Retencion Corregidos, is used to correct previously filed W-3 PR forms (Puerto Rican).

Form W-3 SS, Transmittal of Wage and Tax Statements, is used to transmit Copy A of Forms W-2 (AS), W-2 (CM), W-2 (GU), or W-2 (VI), to SSA.

Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, is used by employers to file and pay Federal unemployment taxes.

Form 940-PR, Employer's Annual Federal Unemployment (FUTA) Tax Return (Puerto Rican Version), is used by employers to file and pay Federal unemployment taxes (Puerto Rico employers only).

Form 940 SCH A, Multi-State Employer and Credit Reduction Information, is used to figure annual Federal Unemployment Tax Act (FUTA) tax for states that have a credit reduction on wages that are subject to the unemployment compensation laws.

Form 940-PR SCH A, is used when required to pay state unemployment tax in more than one state, or if the paid wages in any state are subject to credit reduction.

Form 940 SCH R, Reconciliation for Aggregate Form 941 Filers, certified professional employer organizations (CPEO) must attach Schedule R to its aggregate Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return. Schedule R is used to allocate the aggregate information reported on Form 940 to each client.

Form 941, Employer's Quarterly Federal Tax Return, is used by employers to report payments made to employees subject to income and social security/Medicare taxes and the amounts of these taxes.

Form 941 (PR), Employer's Quarterly Federal Tax, is used by employers in Puerto Rico to report social security and Medicare taxes only.

Form 941 SCH B, Report of Tax Liability for Semiweekly Schedule Depositors, is used by employers for the reporting of tax liability for semi-weekly pay schedules.

Form 941 SCH B (PR), Supplemental Record of Federal Tax Liability (Puerto Rican Version) is used by employers for the reporting of tax liability for semi-weekly pay schedules.

Form 941 SCH D, Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or

4

Consolidations is used to address matching problems associated with Forms W-2 and Form 941.

Form 941 SCH R, Reconciliation for Aggregate Form 941 Filers, is used to allocate certain aggregate information reported on Form 941 to each client.

Form 941-SS, Employer's QUARTERLY Federal Tax Return (American Samoa, Guam, the Commonwealth of Northern Mariana Islands, and the U.S. Virgin Islands), is used by employers in the U.S. possessions to report social security and Medicare taxes only.

Form 941 X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund, is used by employers to correct errors on a Form 941 that was previously filed.

Form 941 X (PR), Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund, is used by employers in Puerto Rico use Form 941-X (PR) to provide information and certifications to support prior period adjustments to social security and Medicare taxes reported on Form 941-(PR).

Form 943, Employer's Annual Tax Return for Agricultural Employees, is used by agricultural employers to report (a) the employees' and employers' FICA taxes on wages and (b) the amounts withheld for income tax.

Form 943 (PR), Employer's Annual Tax Return for Agricultural Employees (Puerto Rican Version), is used by agricultural employers in Puerto Rico to report the employees' and employers' FICA taxes on wages.

Form 943 A, Agricultural Employer's Record of Federal Tax Liability, is an optional form that may be used by agricultural employers to show their tax liabilities for the semiweekly periods and \$100,000 one-day rule.

Form 943 A (PR), Agricultural Employer's Record of Federal Tax Liability (Puerto Rican Version), is an optional form that may be used by agricultural employers to show their tax liabilities for the semiweekly periods and \$100,000 one-day rule.

Form 943 R, Reconciliation for Aggregate Form 941 Filers, is used to identify the individual taxpayer and their related tax liabilities for which an aggregate payment is being made on Form 943 for the year in which this Schedule R (Form 943) is attached.

Form 943 X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund is used to correct errors made on Form 943 for one year only.

Form 943 X (PR), Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund, for use in Puerto Rico, is used to correct errors made on Form 943 for one year only.

Form 944, Employer's ANNUAL Federal Tax Return, is designed so the smallest employers (those whose annual liability for social security, Medicare, and withheld federal income taxes is \$1,000 or less) will file and pay these taxes only once a year instead of every quarter.

Form 944 X, Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund, is used by employers who discover they under or over withheld income taxes from wages or social security or Medicare tax in a prior year, use Form 944-X to report those taxes and either make a payment, claim a refund, or request an abatement.

Form 945, Annual Return of Withheld Federal Income Tax, is used to report income tax withholding on non-payroll payments including backup withholding and withholding on pensions, annuities, IRA's military retirement and gambling winnings.

Form 945 A, Annual Record of Federal Tax Liability, is used to report non-payroll tax liabilities.

Form 945 X, Adjusted ANNUAL Return of Withheld Federal Income Tax or Claim for Refund, is used to correct errors made on Form 945, for one year only.

Form 2032, Contract Coverage Under Title II of the Social Security Act. U.S. citizens and resident aliens employed abroad by foreign affiliates of American employers are exempt from social security taxes. American employers may file an agreement on Form 2032 to waive this exemption and obtain social security coverage for U.S. citizens and resident aliens employed abroad by their foreign affiliates. The American employers can later file Form 2032 to cover additional foreign affiliates as an amendment to their original agreement.

Form 2678, Employer/Payer Appointment of Agent, is used by an employer to notify the Director, Internal Revenue Service Center, of the appointment of an agent to pay wages on behalf of the employer. In addition, the completed form is an authorization to withhold and pay taxes via Form 941, Employer's Quarterly Federal Tax Return, for the employees involved.

Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips is used by employers to report receipts and tips from their large food or beverage establishments. In addition, employers use Form 8027 to determine if the employer must allocate tips for tipped employees.

Form 8027 T, Transmittal of Employer's Annual Information Return of Tip Income and Allocated Tips, is used by employers operating more than one food or beverage establishment to send multiple Form 8027 to the IRS.

Form 8453 EMP, Employment Tax Declaration for an IRS e-file Return, is used to authenticate an electronic employment tax form, authorize the electronic return originator (ERO), if any, to transmit via a third-party transmitter; authorize the intermediate service provider (ISP) to transmit via a third-party transmitter if filed online (not using an ERO), and provide the taxpayer's consent to authorize an electronic funds withdrawal for payment of federal taxes owed.

Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit is used by employers as part of a written request to a designated local agency to certify an employee as a member of a targeted group for purposes of qualifying for the work opportunity tax credit.

Form 8879 EMP, IRS e-file Signature Authorization for Forms 940, 940-PR, 941, 941-PR, 941-SS, 943, 943-PR, 944, and 945, is used to electronically sign an employment tax return on Forms 940 series, 941 series, 943 series, 944, and 945.

Form 8922, Third-Party Sick Pay Recap, is used to reconcile employment tax returns (for example, Form 941) with Forms W-2 when third-party sick pay is paid.

Form 8952, Application for Voluntary Classification Settlement Program (VCSP), is an application for employers that may want to be included in the Voluntary Classification Settlement Program (VCSP), which permits taxpayers to voluntarily reclassify workers as employees for federal employment tax purposes pursuant to Title 26 of the United States Code (USC) 7121.

Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities, is used to determine the portion of the elected amount that can be claimed for the quarter on the Form 941.

2. **USE OF DATA**

The data is used by the IRS to verify that the correct taxes have been paid. The Social Security Administration uses some of the Social Security and Medicare tax data for trust fund accounting and estimating purposes.

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

We are currently offering electronic filing for these forms.

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 IRS proactively works with both internal and external stakeholders to minimize the burden on small businesses, while maintaining tax compliance. The Agency also seeks input regarding the burden estimates from the public via notices and tax product instructions. The forms can be filed electronically, which further reduces any burden to small businesses.

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

A less frequent collection will not allow the IRS to determine the correct taxes paid and the cumulative amount of research credit an employer has available to take against their employer share of payroll taxes and whether or not the amount of credit an employer is taking is available for them to take.

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 July 24, 2023 (88 FR 47555), we received two comments during the comment period for this collection of information. The first from Bureau of Economic Analysis strongly supports the continued collection of data by the Internal Revenue Service (IRS) on Forms W-2 and W-3. The IRS appreciates the comment.

The second, from Payroll Org, commented on filing employment tax forms electronically, the IRS's ability to process forms electronically, electronic signatures on all employment tax returns

and related forms, and posting of employers' unredacted transcripts. The IRS appreciates the comments and suggestions, and will take these concerns under advisement.

**Bureau of Economic Analysis (BEA) Comment dated July 25, 2023.
Comment on Forms W-2 and W-3.**

| | Summary of Bureau of Economic Analysis comment | Responses |
|---|---|--|
| 1 | BEA strongly supports the continued collection of data by the Internal Revenue Service (IRS) on Forms W-2 and W-3. BEA has periodically used data on wages, tips, and other compensation and on Medicare wages and tips to validate wage and salary estimates from other data sources. Also, the data are used indirectly for estimating government social benefits to persons. | The IRS appreciates the support and comment. |

**Payroll Org Comments dated September 18, 2023.
Comments on Proposed Collection: Comment Request for U.S. Employment Tax Returns and Related Forms**

| | Summary of Payroll Org comment | Responses |
|---|---|--|
| 1 | <p>Filing employment tax forms electronically and the IRS's ability to process forms electronically.</p> <ul style="list-style-type: none"> • The two forms of greatest priority for the Modernized e-File (MeF) system for PayrollOrg members are the Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, and Form 945-X, Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund. The IRS reported it plans to create MeF capabilities for these forms in 2024. PayrollOrg would be pleased to assist the IRS in this project, such as review of draft instructions and testing/piloting of the service. • Other forms that PayrollOrg requests for MeF services include the Form 2678, Employer/Payer Appointment of Agent, and the Form 8922, Third-Party Sick Pay Recap. | <p>The IRS appreciates the comment and support. IRS currently offers e-file for the original returns. E-file Employment Tax Forms Internal Revenue Service (irs.gov)</p> <p>IRS takes the commentors recommendation for e-file for the amended returns under consideration for future IT developments.</p> |

| | | |
|---|--|---|
| 2 | <p>Electronic signatures on all employment tax returns and related forms.</p> <ul style="list-style-type: none"> • PayrollOrg recommends that the IRS allow for electronic signatures on employment tax returns and related forms. PayrollOrg shares the IRS's concerns about security risks, however, technology exists today that would allow for secure electronic signatures. | <p>The IRS appreciates the comment and has forwarded these concerns to the appropriate parties.</p> |
| 3 | <p>Posting of employers' unredacted transcripts.</p> <p>* PayrollOrg comments that employers must be able to reconcile payroll accounts on a regular basis. Employers and IRS agents need to view employer returns and related forms in one location in the IRS's electronic systems. This will allow employers to notice if the IRS has not yet processed a return, i.e., when a corrected return is not in an employer's record or in an incorrect order. Complete transcripts also will allow IRS agents to review employers' full records to determine accurate tax liability.</p> <p>Specific list of suggestions to include:</p> <ol style="list-style-type: none"> 1. Expand the downloading format for transcripts via the IRS portal to text, comma separated values, or Excel. These are more common formats for most employers. 2. Add employers account status, such as in good standing, under review by collections, or subject to liens. For example, when payroll professionals accept new jobs, they need to find their employers' federal tax information. The same is true for IRS agents new to employers' accounts or newly hired by the IRS. 3. Make visible taxable wages and tips for purposes of social security and Medicare as reported on Forms 941 and 941-X. This should include the Schedule B liability amounts. 4. List the original and corrected wages by the version number and date for purposes of | <p>The IRS appreciates the comment and has forwarded these concerns to the appropriate parties.</p> |

| | | |
|--|---|--|
| | <p>employment taxes as reported by employers to the IRS on Form 941-X. The data should separately identify the amounts for social security, Medicare, and federal income taxes. Often, IRS agents are only able to provide total tax amounts for Federal Insurance Contributions Act requirements. A consolidated amount is ineffective for IRS agents and employers to accurately determine employment taxes and settle accounts.</p> <p>5. Add a legend to the IRS portal to easily cross reference the coding system used by the IRS on transcripts. A legend can help create consistency of terms for employers, such that they can better communicate with the IRS.</p> <p>6. Identify activity on transcripts by form/return type and version number. When employers file multiple forms for the same tax period, the forms must be reviewed in order of submission. For example, when employers file multiple Forms 941-X for the same quarter, PayrollOrg – Comments on IRS Employment Tax Returns and Related Forms Page 3 of 3 the order of filing is important for accuracy. In addition, activity on one form type may impact the filing of a different form type. For example, activity on a Form W-2 may create a need to file a Form 941-X.</p> <p>7. Report who and what caused an employer’s mailing address change. When an employer uses an address for one form that is different than the address on another form, this should not automatically cause the employer’s address on record to change. Yet, in practice, this often occurs. In some instances, an employer’s address on record is changed to an address not associated with that employer. Tracking who made the change and why, can help fix the problem.</p> <p>8. When the IRS implements a new program mandated by Congress, indicate on employers’ transcripts how payments and</p> | |
|--|---|--|

| | | |
|--|---|--|
| | <p>credits in the program were applied. An easily read breakdown of how the IRS applied the funds can help employers and IRS agents understand what occurred, especially to determine errors. For example, the COVID-19 pandemic relief measures required quick and retroactive measures that, unfortunately, caused inconsistent interpretation by the IRS, employers, and tax professionals. Correcting inevitable errors has been difficult because employers and IRS agents were missing information.</p> <p>9. Make visible in employers' transcripts how penalty assessments were calculated. Generally, the IRS provides details on penalty assessments in employer notices. However, this information is not included in transcripts.</p> <p>10. Add IRS correspondence capabilities to the IRS portal to improve communication between employers and IRS agents.</p> | |
|--|---|--|

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

No payment or gift will be provided to any 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 "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 Internal Revenue Service 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 and**

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**PRA Approval of Forms Used by Employers:**

Under the PRA, OMB assigns a control number to each "collection of information" that it reviews and approves for use by an agency. The PRA also requires agencies to estimate the burden for each collection of information. Burden estimates for each control number are displayed in (1) PRA supporting statement that accompanies collections of information, (2) Federal Register notices, and (3) OMB's database of approved information collections.

The forms listed in table 1 are used by employers to report payroll tax. The burden included within this request for OMB approval includes reporting, recordkeeping, and third-party disclosures.

Taxpayer Burden Model:

The burden estimation methodology for employer reporting burden is being transitioned from the legacy Arthur D. Little (ADL) model to the IRS Taxpayer Burden Model. Burden is defined as the time and out-of-pocket costs incurred by taxpayers in complying with the Federal tax system. Time-related activities include recordkeeping, tax planning, gathering tax materials, learning about the law and what the taxpayer needs to do, and completing and submitting the return. Out-of-pocket costs include any expenses incurred by taxpayers to prepare and submit their tax returns. Examples include tax return preparation fees, the purchase price of tax preparation software, submission fees, photocopying costs, postage, and phone calls (if not toll-free). The methodology is based on the primary drivers associated with employer reporting burden. These include the number of employees, employee turnover, level of compensation, economic activity associated with employment related credits, and frequency of filing. Indicators of tax law and administrative complexity, as reflected in the tax forms and instructions, are incorporated into the model. Tax compliance burden does not include a taxpayer's tax liability, economic inefficiencies caused by sub-optimal choices related to tax deductions or credits, or psychological costs.

Types of taxpayer activities reflected in the model are as follows:

- Recordkeeping
- Purchasing software or creating/updating proprietary software
- Form completion and submission
- Tax payment activities
- Amending/correcting Forms W-2

Taxpayer Burden Estimate:

The burden estimation methodology for employer reporting burden is being transitioned from the legacy ADL model to the IRS Taxpayer Burden Model. The ADL estimate for the 53 forms and 38 regulations this estimate replaces would have been 948,967,465 hours. The IRS Taxpayer Burden Model methodology provides an estimate of 456,000,000 hours, a decrease in total estimated time burden of 492,967,465 hours. The IRS Taxpayer Burden Model method also provides a new estimate of total out-of-pocket costs of \$18,910,000,000. Total estimated monetized burden is \$33,540,000,000. These changes are solely related to the transition of the burden estimate from the legacy ADL Model methodology to the preferred IRS Taxpayer Burden Model. This is a one-time change.

Note: Analysis of the survey data indicates that reported out-of-pockets costs for smaller employers likely reflect fees that are for more than just federal employment tax reporting services. For example, they may be reporting a flat fee paid for a suite of services and they simply do not know how to break out the fee paid for just federal employment tax and W-2-related activities. As a result, the monetized burden could be overstated.

The amounts below are for FY2023. Reported time and cost burdens are national averages and do not necessarily reflect a “typical” case. Most taxpayers experience lower than average burden, with taxpayer burden varying considerably by taxpayer type. Detail may not add due to rounding.

| Fiscal Year (FY) 2023 Burden Total Estimates for employment tax forms, schedules, and regulations | | | | | |
|---|--------------|----------------------------------|---------------------------------------|------------------------------|------------------|
| FY2023 | | | | | |
| | FY20-22 | Program Change due to Adjustment | Program Change due to New Legislation | Program Change due to Agency | FY23 |
| Responses per year | 339,405,986* | (332,277,986) | 0 | 0 | 7,128,000** |
| Burden in Hours | 948,967,465 | (492,967,465) | 0 | 0 | 456,000,000 |
| Monetized Time Burden | \$0 | \$14,630,000,000 | 0 | 0 | \$14,630,000,000 |
| Out-of-Pocket Costs | \$0 | \$18,910,000,000 | 0 | 0 | \$18,910,000,000 |
| Total Monetized Burden** | \$0 | \$33,540,000,000 | 0 | 0 | \$33,540,000,000 |

Source: IRS:RAAS:KDA (04-15-23)

*FY20 responses per year is count of all forms and schedules filed under legacy A.D. Little burden estimate methodology

**FY23 responses per year is count of all employers under taxpayer-centric Research, Applied Analytics, and Statistics (RAAS) burden estimate methodology. This approach is also used for OMB 1545-0074 individuals, 1545-0123 (business entities), and 1545-0047 (tax-exempt organizations).

***Total monetized burden = Monetized hours + Out-of-pocket costs

Note: Reported time and cost burdens are national averages and do not necessarily reflect a “typical” case. Most taxpayers experience lower than average burden, with taxpayer burden varying considerably by taxpayer type. Detail may not add due to rounding.

Tax return data are used to calculate a monetization rate based on the average wage paid by each firm plus benefits. A lower bound is set at the federal minimum wage rate plus employment taxes. Rates from the BLS Occupational Employment Statistics and the BLS Employer Costs for Employee Compensation from the National Compensation Survey are used for an upper bound. Specifically, we use the 90th percentile for payroll and timekeeping clerks from the OES and the ratio of total compensation to wages and salaries from the private industry workers (management, professional, and related occupations) to account for fringe benefits.

The following additional breakouts of average burden are provided for transparency in understanding the average estimated burden experienced by employer size.

| Annual Average Burden Per Employer by Number of Forms W-2 Filed | | | |
|---|--------------------|---------------------|-------------------------|
| Number of Forms W-2 Filed | Total Time (Hours) | Out-of-Pocket Costs | Total Monetized Burden* |
| All Employers | 10.7 | \$404 | \$700 |
| 1 to 5 | 15.8 | \$576 | \$998 |
| 6 to 10 | 5.9 | \$264 | \$444 |
| 11 to 25 | 4.4 | \$190 | \$327 |
| 26 to 50 | 3.5 | \$126 | \$237 |
| 51 to 100 | 2.7 | \$97 | \$185 |
| 101 to 250 | 1.8 | \$90 | \$159 |
| 251 to 500 | 1.3 | \$70 | \$119 |
| 501 to 1,000 | 0.8 | \$48 | \$79 |
| Over 1,000 | 0.4 | \$14 | \$28 |
| Annual Average Burden Per Employee by Primary Form Filed | | | |
| Form 941 | 10.5 | \$408 | \$705 |
| Form 943 | 19.2 | \$269 | \$562 |
| Form 944 | 12 | \$198 | \$334 |

Source: IRS:RAAS:KDA (04-15-23)

*Total monetized burden = Monetized hours + Out-of-pocket costs

The following are related regulations which impose no additional burden. Please continue to assign OMB number 1545-0029 to these regulations.

| | | |
|-----------------------|---------------------|------------------------|
| 31.3306(C)(18)(1) | 1.401(d) | 31.6302-1,2,3 |
| 31.3401(a)-l(b)(12) | 31.3102-3(c) | 31.6413(a)-1 |
| 33.3401(a)(6)-1(d)(3) | 31.3121(b)(19)-1 | 31.6414-1(a) |
| 31.3401(a)(8)(c)(1) | 31.3121(s)-1(a) | Temp. Reg. 32.1,2 |
| 31.3401(h)(1)(2)(ii) | 31.3404-1 | 36.3121(a)(10)-1 |
| 31.3402(h)(3)-1 | 31.6001 | 31.6001-6 |
| 49.3121(1)(10)-3 | 31.3504-1(a) | 31.6109 |
| 49.6109-1 | 36.3121(1)(10)-3(a) | 31.6011(a)-1,4,6,7,8,9 |
| 601.401(a) | 31.6011(b)-2 | 31.6011 |
| 31.3121(a)-1 | 31.3401(a)1(b)(12) | 31.6071(a)-1 |
| 31.3401(a)(8)(A)(2) | 36.3121(L)(10)(3) | 301.6316-7(b), (c) |
| 31.6011(a)-6(b) | 31.6053-1 | 31.6205-1 |

14. **ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT**

The federal government cost estimate for product development 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 |
|---|---|----------|---------------------------|----------|--------------------------------------|
| Employment Tax Forms and Instructions | \$3,672,692 | + | \$316,458 | = | \$3,989,150 |
| Totals | \$3,672,692 | + | \$316,458 | = | \$3,989,150 |
| Table costs are based on 2022 actuals obtained from IRS Chief Financial Office and Media and Publications | | | | | |
| * New product costs will be included in the next collection update. | | | | | |

| Estimated Filers | Processing Cost - Paper Returns | | Processing Cost - Electronic Returns | | Government Cost Estimate |
|---|---------------------------------|---|--------------------------------------|---|--------------------------|
| 7,128,000 | \$5,671,037 | + | \$456,192 | = | \$6,127,229 |
| Total | | | | | \$6,127,229 |
| Table costs estimates are based on FY2022 IRS Cost Estimate References. | | | | | |

The total government cost estimate for this collection is \$10,116,379.

15. **REASONS FOR CHANGE IN BURDEN**

The year-over-year change in burden is analyzed and reported by technical adjustments, legislative adjustments, and agency adjustments. The change in reported burden from FY2022 to FY2023 is due to the technical change in how the estimated burden is calculated. The count of respondents is substantially lower because the RAAS taxpayer-centric burden estimation methodology counts each employer rather than counting each separate form or schedule filed. Time burden is substantially reduced because the RAAS burden estimation methodology uses recent taxpayer-provided burden data which allows for RAAS to take into account efficiencies resulting from advances in software technology and adoption of electronic filing.

| | Requested (FY23) | 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 (FY22) |
|---------------------------|------------------|-----------------------------------|---|---|--|----------------------------|
| Responses | 7,128,000* | 0 | 0 | 332,277,986 | 0 | 339,405,986** |
| Burden in Hours | 456,000,000 | 0 | 0 | (492,967,465) | 0 | 948,967,465 |
| Annual Out-of-Pocket Cost | \$18,910,000,000 | 0 | 0 | \$18,910,000,000 | 0 | 709,268 |

*FY23 responses per year is count of all employers under taxpayer-centric RAAS burden estimate methodology. This approach is also used for OMB 1545-0074 individuals, 1545-0123 (business entities), and 1545-0047 (tax-exempt organizations).

**FY20 responses per year is count of all forms and schedules filed under legacy A.D. Little burden estimate methodology

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 form 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.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB

There are no exceptions to the certification statement for this collection.

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.

Appendix A

| Form/Regulation | Title / Description | OMB Number |
|-----------------|---|------------|
| CT-1 | Employer's Annual Railroad Retirement Tax Return | 1545-0001 |
| CT-1X | Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund | 1545-0001 |
| CT-2 | Employee Representative's Quarterly Railroad Tax Return | 1545-0002 |
| SS-8 | Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding | 1545-0004 |
| SS-8 (PR) | Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax (Puerto Rican Version) | 1545-0004 |
| W-2 | Wage and Tax Statement | 1545-0008 |
| W-2 AS | American Samoa Wage and Tax Statement | 1545-0008 |
| W-2 C | Corrected Wage and Tax Statement | 1545-0008 |
| W-2 GU | Guam Wage and Tax Statement | 1545-0008 |
| W-2 VI | U.S. Virgin Islands Wage and Tax Statement | 1545-0008 |
| W-3 | Transmittal of Wage and Tax Statements | 1545-0008 |
| W-3 (PR) | Transmittal of Withholding Statements (Puerto Rican Version) | 1545-0008 |
| W-3 C | Transmittal of Corrected Wage and Tax Statements | 1545-0008 |
| W-3 C (PR) | Transmittal of Corrected Wage and Tax Statements (Puerto Rican Version) | 1545-0008 |
| W-3 SS | Transmittal of Wage and Tax Statements | 1545-0008 |
| 940 | Employer's Annual Federal Unemployment (FUTA) Tax Return | 1545-0028 |
| 940 (PR) | Employer's Annual Federal Unemployment (FUTA) Tax Return (Puerto Rican Version) | 1545-0028 |
| 940 SCH A | Multi-State Employer and Credit Reduction Information | 1545-0028 |
| 940 SCH A (PR) | Multi-State Employer and Credit Reduction Information (Puerto Rican Version) | 1545-0028 |
| 940 SCH R | Allocation Schedule for Aggregate Form 940 Filers | 1545-0028 |
| 941 | Employer's Quarterly Federal Tax Return | *1545-0029 |
| 941 (PR) | Employer's Quarterly Federal Tax Return | *1545-0029 |
| 941 SCH B | Report of Tax Liability for Semiweekly Schedule Depositors | *1545-0029 |
| 941 SCH B (PR) | Supplemental Record of Federal Tax Liability (Puerto Rican Version) | *1545-0029 |
| 941 SCH D | Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations | *1545-0029 |
| 941 SCH R | Reconciliation for Aggregate Form 941 Filers | *1545-0029 |
| 941 SS | Employer's QUARTERLY Federal Tax Return (American Samoa, Guam, the Commonwealth of Northern Mariana Islands, and the U.S. Virgin Islands) | *1545-0029 |
| 941 X | Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund | *1545-0029 |
| 941 X (PR) | Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund (Puerto Rico Version) | *1545-0029 |
| 943 | Employer's Annual Tax Return for Agricultural Employees | 1545-0035 |
| 943 (PR) | Employer's Annual Tax Return for Agricultural Employees (Puerto Rican Version) | 1545-0035 |
| 943 A | Agricultural Employer's Record of Federal Tax Liability | 1545-0035 |
| 943 A (PR) | Agricultural Employer's Record of Federal Tax Liability (Puerto Rican Version) | 1545-0035 |

| Form/Regulation | Title / Description | OMB Number |
|---|--|------------|
| 943 R | Allocation Schedule for Aggregate Form 943 Filers | 1545-0035 |
| 943 X | Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund | 1545-0035 |
| 943 X (PR) | Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund | 1545-0035 |
| 944 | Employer's ANNUAL Federal Tax Return | 1545-2007 |
| 944 X | Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund | 1545-2007 |
| 945 | Annual Return of Withheld Federal Income Tax | 1545-1430 |
| 945 A | Annual Record of Federal Tax Liability | 1545-1430 |
| 945 X | Adjusted ANNUAL Return of Withheld Federal Income Tax or Claim for Refund | 1545-1430 |
| 2032 | Contract Coverage Under Title II of the Social Security Act | 1545-0137 |
| 2678 | Employer/Payer Appointment of Agent | 1545-0748 |
| 8027 | Employer's Annual Information Return of Tip Income and Allocated Tips | 1545-0714 |
| 8027 T | Transmittal of Employer's Annual Information Return of Tip Income and Allocated Tips | 1545-0714 |
| 8453 EMP | Employment Tax Declaration for an IRS e-file Return | 1545-0967 |
| 8850 | Pre-Screening Notice and Certification Request for the Work Opportunity Credit | 1545-1500 |
| 8879 EMP | IRS e-file Signature Authorization for Forms 940, 940-PR, 941, 941-PR, 941-SS, 943, 943-PR, 944, and 945 | 1545-0967 |
| 8922 | Third-Party Sick Pay Recap | 1545-0123 |
| 8952 | Application for Voluntary Classification Settlement Program (VCSP) | 1545-2215 |
| 8974 | Qualified Small Business Payroll Tax Credit for Increasing Research Activities | 1545-0029 |
| 31.6001 | 26 CFR 31.6001-1 Records in general; 26 CFR 31.6001-2 Additional Records under FICA; 26 CFR 31.6001-3, Additional records under Railroad Retirement Tax Act; 26 CFR 31.6001-5 Additional records | 1545-0798 |
| 26 CFR 6053(a) | Tip Reporting Alternative Commitment (TRAC) Agreement for Use in the Cosmetology and Barber Industry | 1545-1529 |
| TD 9405 | Employment Tax Adjustments | 1545-2097 |
| TD 9645 | Rules relating to additional Medicare tax | 1545-2097 |
| *These forms were already included in 1545-0029. 1545-0029 will not be discontinued it will be the number assigned to all Forms within the employment tax collection. | | |