

SUPPORTING STATEMENT  
Internal Revenue Service (IRS)  
Form 7207, Advanced Manufacturing Production Credit  
OMB Control Number 1545-2306

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Inflation Reduction Act of 2022 (P.L. 117-169) created new section 45X, Advanced Manufacturing Production Credit to authorize a credit for eligible components produced and sold after 2022. Section 45X provide that, for purposes of the general business credit under section 38 of the Code, the advanced manufacturing production credit for any taxable year is an amount equal to the sum of the credit amounts determined under § 45X(b) with respect to each eligible component (as defined in § 45X(c)) produced by the taxpayer and sold by such taxpayer to an unrelated person, but only if such production and sale is in a trade or business of the taxpayer. In addition, under section 45X(a)(3)(B), a taxpayer may make an election in the form and manner prescribed by the Secretary of the Treasury or her delegate to treat a sale of components by such taxpayer to a related person as made to an unrelated person.

The Advanced Manufacturing Production Credit will be claimed on new IRS Form 7207.

2. USE OF DATA

Form 7207 is used to claim the advanced manufacturing production credit under section 45X for eligible components produced by the taxpayer and sold during the tax year in the taxpayer's trade or business to an unrelated person.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS is in the process of offering electronic filing for Form 7207.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available 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 Agency will continue to as applicable find ways to reduce the burden on small businesses or other small entities.

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

A less frequent collection could result in taxpayers unable to claim the manufacturing production

credit under section 45X for eligible components produced by the taxpayers and sold during the tax year to an unrelated person.

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 May 01, 2023, (88 FR 26654), IRS received a comment from American Economic Association (AEA) and the Industry Studies Association (ISA).

The AEA and ISA commenter requested a copy of the draft for the Advanced Manufacturing Production Credit instrument and the supporting statement. In response, IRS sent links to draft form and the current year form: <https://www.irs.gov/pub/irs-dft/f7207--dft.pdf>, <https://www.irs.gov/pub/irs-dft/i7207--dft.pdf>, and <https://www.irs.gov/forms-pubs/about-form-7207>.

IRS also received comments from GreenLi-ion Recycling Technology and Toshiba Mitsubishi-Electric Industrial Systems Corporation (TMEIC). The summary of the comments and IRS responses are below:

| <b>Green-Li-ion Recycling Technology</b> |   |   |
|--|---|---|
| <b>Comment Number</b>                    | <b>Summary of public comment</b>  | <b>IRS response</b>   |
| 1.                                       | Our understanding is that for battery materials is equal to 10% of the production cost of these materials. What is considered to be included in production cost? This would assumedly include all operating expenses (black mass, chemicals, utilities, labor) but would it also include depreciation on the machine required to produce the materials? | We are actively working on guidance for 45X and not able to respond to this question. |
| 2.                                       | In order to claim the production tax credit, does the taxpayer need to own the underlying asset that allows for the production of the machine, or can the credit be claimed by a taxpayer acting as an operator of another taxpayer's asset?  | We are actively working on guidance for 45X and not able to respond to this question. |

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| <b>Toshiba Mitsubishi-Electric Industrial Systems Corporation (TMEIC)</b> |   |   |
|---|---|---|
| <b>Comment Number</b>   | <b>Summary of public comment</b>  | <b>IRS response</b>   |
| 1.  | Please clarify if there will be a registration process (or other certification) for our company (a PV Inverter Manufacturer) to qualify for the 45x Advanced Manufacturing Production credits.  | We are actively working on guidance for 45X and not able to respond to this question. |
| 2.  | <p>In section 45x(c)(2)(a), an inverter is generally defined as an “end product”. In section 45x(c)(1)(A)(iii) an inverter is listed as an “eligible component”. CFR49, 661(d)(2) states that all of the components of an “end product” must be of U.S. origin. But an “eligible component” is considered of U.S. origin if it is manufactured in the United States, regardless of the origin of its subcomponents.</p> <p>a. The above referenced sections appear to conflict. Please clarify if an inverter is an “end product” or “eligible component” with regards to the inverter manufacturer and 45x?</p> <p>b. If the inverter is considered an “eligible component”, our interpretation is that sub-components can come from anywhere per CFR49, 661(d)(2). Is this correct?</p> <p>c. If the inverter is considered an “end product”, will USMCA (particularly Mexico) or other free trade agreement countries qualify as local content?</p> <p>d. If the inverter is considered an “end product” and the local content requirements cannot be achieved due to lack of USA supply chain, will there be a waiver process for components that are not of US origin?</p> | We are actively working on guidance for 45X and not able to respond to this question. |
| 3.  | TMEIC ships the Inverters that we   | We are actively working on guidance   |

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|    | <p>manufacture to a USA based integrator (independent contractor hired by TMEIC). Our integrator mounts several individual inverters on a “skid” and connects them to a single step up transformer to meet the site requirements (often 630Vac is stepped up to 34,500Vac). The single integrated skid is then shipped to an unrelated party (our client).</p> <p>A few questions:</p> <ul style="list-style-type: none"> <li>a. Would the integrated skid be an end product or component?</li> <li>b. Can we obtain the Advanced Manufacturing Production Credit for the individual inverters manufactured by our factory even though we are shipping an integrated skid from our independent contractor to the unrelated party? The inverters are shipped from our factory individually and can operate independently.</li> <li>c. Can our client count the individual inverters or the skid towards their “Domestic Content Bonus”</li> </ul> | for 45X and not able to respond to this question.                                      |
| 4. | Regarding 45x(c)(2)(G)(iii) Inverter Rating: Please clarify if the inverter capacity will be validated by the UL Listed Nameplate on the inverter.   | We are actively working on guidance for 45X and not able to respond to this question.  |
| 5. | Please clarify if the USA Manufacturer can obtain 45x credits for inverters “produced in the USA” but shipped and installed on sites outside the USA.  | We are actively working on guidance for 45X and not able to respond to this question.  |
| 6. | In the case of direct pay, please clarify if there a mechanism to receive periodic (monthly or quarterly) tax credit payments (to improve cash flow).  | We are actively working on guidance for 6417 and not able to respond to this question. |
| 7. | Please clarify if there Is a cap or maximum on the direct pay credit amount allowed to the Inverter  | We are actively working on guidance for 6417 and not able to respond to this question. |

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|  | Manufacturer. |  |
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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. 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)” and a Privacy Act System of Records notice (SORN) has been issued for these systems under IRS 22.062 – Electronic Filing Records; IRS 24.030 – Customer Account Data Engine (CADE) Individual Master File; IRS 24.046 - CADE Business Master File (BMF); IRS 34.037 - IRS Audit Trail and Security Records System. The Internal Revenue Service PIA’s 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

The time needed to complete and file the Form 7207 will vary depending on individual circumstances. The estimated burden for individual filers is capture under OMB control number 1545-0074 and business filers is capture under OMB control number 1545-0123. The estimated burden for estate and trust filers is captured under OMB control number 1545-2306.

| Description   | # of Respondents | # Responses per Respondent | Annual Responses | Hours per Response | Total Burden Hours |
|---------------|------------------|----------------------------|------------------|--------------------|--------------------|
| Form 7207     | 1000             | 1                          | 1000             | 3.93               | 3,930              |
| <b>Totals</b> | <b>1000</b>      | <b>1</b>                   | <b>1000</b>      |                    | <b>3,930</b>       |

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

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.

| <u>Product</u>         | <u>Aggregate Cost per Product (factor applied)</u> | <u>Printing and Distribution</u> | <u>Government Cost Estimate per Product</u> |
|------------------------|--|----------------------------------|---|
| Form 7207              | \$24,144   | \$0                              | \$24,144                                    |
| Form 7207 Instructions | \$4,829  | \$0                              | \$4,829                                     |
| <b>Grand Total</b>     | <b>\$28,973</b>                                    | <b>\$0</b>                       | <b>\$28,973</b>                             |

Table costs are based on 2022 actuals obtained from IRS Chief Financial Office and Media and Publications

15. REASONS FOR CHANGE IN BURDEN

IRS is submitting this request as a renewal and revision for the Form 7207. IRS has made the following revisions to the form:

- Checkbox attestation to indicate if eligible components include property produced at a facility that claimed a 48C credit.
- Changing column header to Eligible Component.
- Updated Line 2a text to “Related offshore wind vessel”
- Updated Line 6a text to “Applicable critical minerals”
- Updating rates based on Inflation Reduction Act changes.

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

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.