

**SUPPORTING STATEMENT**  
Internal Revenue Service  
Reporting Requirements for Recipients of Points Paid  
on Residential Mortgages  
OMB# 1545-1380

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 6050H of the Internal Revenue Code requires mortgagors to report mortgage interest, including points, of \$600 or more paid to them during the year by an individual on Form 1098.

Section 6050H was added to the Code to encourage compliance with the tax laws relating to the deductibility of mortgage interest and authorizes the Secretary to require the reporting of certain information relating to payments of mortgage interest. Subsequent to the issuance of 26 C.F.R. 1.6050H-1, providing guidance for the information reporting of interest (other than points) under this statutory provision, Congress amended section 6050H (b) to require taxpayers subject to the mortgage interest reporting requirement to separately state on Form 1098 (provided to the Internal Revenue Service) the amount of points and the amount of interest (other than points) received during the taxable year on a single mortgage and to provide to the payor of the points a separate statement setting forth the information being reported to the Service. The regulations supplement the existing regulations by providing taxpayers with guidance regarding this statutorily mandated reporting requirement.

In addition, the regulations allow taxpayers who are subject to the information reporting requirement of section 6050H to voluntarily enter into a written agreement designating pursuant to which a third party will assume the information reporting requirement otherwise imposed on the designating party. Taxpayers subject to the reporting requirements of section 6050H and the regulations who choose to designate another person to fulfill this information reporting requirement are required by the regulations to retain a copy of the written designation agreement for a period of four years. Retention of this agreement is necessary for the Internal Revenue Service to determine which person has the information reporting requirement and thus is subject to applicable statutory penalties in the event of noncompliance. This written agreement does not have to be provided to the Internal Revenue Service.

Finally, the regulations provide that a recipient of mortgage points, in determining whether the points are being paid in connection with the payor's purchase of a principal residence, may rely on a signed, written statement from the payor stating that the points are being paid in connection with the purchase of a principal residence. This statement does not have to be provided by the reporting party to the Internal Revenue Service. Obtaining such a statement is entirely voluntary.

2. USE OF DATA

Form 1098 will be used by Internal Revenue Service (IRS) to verify that taxpayers have deducted the proper amount of mortgage interest expense on their tax returns. The information required by section 1.6050H will be reported to the Service on Form 1098, *Mortgage Interest Statement*.

The information will also be reported to the homeowner mortgagor that pays such points to the reporting party. The data will be used by the Service and the payor of record to determine if the payor of record may claim a deduction from gross income for an amount paid as points on a residential mortgage.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 1098 is currently available.

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 no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute under section 1.6050H. The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

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

Consequences of less frequent collection on federal programs or policy activities, affect the ability of the Service from being able to promptly verify that taxpayers have deducted and reported the proper amount of mortgage interest expense on their tax returns which would not allow IRS to meet 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

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 1098.

In response to the *Federal Register* notice dated March 14, 2023, (88 FR 15853). We received no comments during the comment period regarding Form 1098.

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 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 “Information Returns Master File (IRMF)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under: IRS 22.061 - Information Returns Master File (IRMF); IRS 24.030, CADE Individual Master File (IMF) and IRS 34.047 IRS Audit Trail & Security Records System SORNs. 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

Section 6050H-1 of the Internal Revenue Code requires the information reporting of mortgage interest received in a trade or business from an individual.

Section 6050H-2 of the Internal Revenue Code provides guidance on the time, form, and manner of reporting interest received on a qualified mortgage.

Form 1098 is used by an interest recipient to report mortgage interest of \$600 or more received on a qualified mortgage for a calendar year.

The burden estimate is as follows:

<b>Authority</b>	<b>Description</b>	<b># Of Respondents</b>	<b># Responses per Respondent</b>	<b>Annual Responses</b>	<b>Hours per Response</b>	<b>Total Burden</b>
IRC 6050H	TD 8571	37,644	33.38008	1,256,560	.23	283,056
	Form 1098	96,102,400	1	96,102,400	.25	24,025,600
Total				97,358,960		24,308,656

The following regulations impose no additional burden:

1.6050H-1                      1.6050H-2

We have reviewed these regulations and have determined that the reporting requirements contained in them are entirely reflected on form.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

From our Federal Register notice dated March 14, 2023, no public comments were received on the estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. As a result, estimates of these cost burdens are not available currently.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The estimated annualized cost to the Federal Government is based on a model that considers the following three 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 Federal Government estimated annualized cost per product.

The Federal Government estimated annualized cost is as follows:

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form 1098	\$104,700	+	\$8,773	=	\$113,473
Instructions 1098	\$6,544	+	\$2,394	=	\$8,938
Grand Total	\$111,244		\$11,167		\$122,411
Table costs are based on 2021 actuals obtained from IRS Chief Financial Office and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

IRS has increased the number of respondents by 16,708,000 based on the projected number of filers from IRS Publication 6961. This update to the agency estimate has increased the burden by 4,177,000 hours.

	<b>Requested</b>	<b>Program Change Due to New Statute</b>	<b>Program Change Due to Agency Discretion</b>	<b>Change Due to Adjustment in Agency Estimate</b>	<b>Change Due to Potential Violation of the PRA</b>	<b>Previously Approved</b>
Annual Number of Responses for this IC	97,358,960	0	0	16,708,000	0	80,650,960
Annual IC Time Burden (Hours)	24,308,656	0	0	4,177,000	0	20,131,656
Annual IC Cost Burden (Dollars)	0	0	0	0	0	0

We are submitting this request for renewal purposes only.

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

We believe 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 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 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.