

SUPPORTING STATEMENT  
Internal Revenue Service (IRS)  
Form 8874-A  
Notice of Qualified Equity Investment for New Markets Credit  
OMB Control Number 1545-2065

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Form 8874-A, Notice of Qualified Equity Investment for New Markets Credit, was developed because qualified community development entities (CDEs) provide taxpayers holding a qualified equity investment with a completed Form 8874-A when a qualified equity investment is received. Treasury Regulations section 1.45D-1(g)(2)(i)(A), authorized by 26 USC 45D, indicates that Form 8874-A should be used by the CDE to make the notification to the taxpayer.

2. USE OF DATA

The CDE gives a form to the taxpayers, sends a copy to IRS, and keeps a copy for their records. These requirements placed on administrators of CDEs are used by the IRS to verify the claimed general business credit by the taxpayer and in accordance with the purposes of the Qualified Equity Investment for New Markets Credit. The Form 8874-A will be filed with the IRS.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Form 8874-A can be filed electronically.

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 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

A less frequent collection on this program could result in the IRS's inability to determine if the investment in the CDE a qualified equity investment entitling the taxpayer to claim the new markets credit in accordance with Treasury Regulations § 1.45D-1(g)(2)(i)(A).

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 August 07, 2023 (88 FR 52257), IRS received no comments during the comment period regarding Form 8874-A.

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 “Customer Account Data Engine” system and Privacy Act System of Records notice (SORN) has been issued for these systems under IRS 24.030–Customer Account Data Engine Individual Master File; IRS 24.046–Customer Account Data Engine Business Master File; IRS 26.009–Lien Files, (open and closed); IRS 26.013–Trust Fund Recovery Penalty Cases; IRS 26.019–Taxpayer Delinquent Account Files, and IRS 34.037–IRS Audit Trail and Security Records System. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/privacy-disclosure/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

Form 8874-A was developed so that CDEs can provide notification to any taxpayer who acquires a qualified equity investment in the CDE at its original issue that the equity investment is a qualified equity investment entitling the taxpayer to claim the new markets credit required under Regulations section 1.45D-1(g)(2)(i)(A).

Burden Estimates is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
1.45D-1(g)(2)(i)(A)	Form 8874-A	500	1	500	5.43	2,715
Totals		500				2,715

The collections in the regulation and the associated burden, are included in the form and instructions. Please continue to assign OMB number 1545-2065 to this regulation 1.45D-1(g)(2)(i)(A).

**13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

From our Federal Register notice, dated August 07, 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 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 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 Government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form & Instructions 8874-A	\$26,175	+	\$0	=	\$26,175
<b>Grand Total</b>	<b>\$26,175</b>	<b>+</b>	<b>\$0</b>	<b>=</b>	<b>\$26,175</b>
Table costs are based on 2022 actuals obtained from IRS Chief Financial Office and Media and Publications					

**15. REASONS FOR CHANGE IN BURDEN**

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

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 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.