

SUPPORTING STATEMENT
Internal Revenue Service
Electronic Filing of Form W-4
TD 8706
OMB Control Number 1545-1435

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Regulations under TD 8706 relate to the electronic filing of Form W-4, Employee's Withholding Allowance Certificate. The regulations authorize employers to establish electronic systems for use by employees in filing their Forms W-4 and provide employers guidance necessary to comply with section 3402 of the Internal Revenue Code.

Sections 31.3402(f)(2)-1(g) provide that employers must submit copies of certain Forms W-4 to the Internal Revenue Service (IRS) as directed in a written notice to the employer from IRS or as directed in published guidance. Section 31.3402(f)(5)-1 requires employers, upon request by the IRS, to supply a hard copy of the electronic Form W-4 and a statement that, to the best of the employer's knowledge, the electronic Form W-4 was filed by the named employee. This information is required by the IRS to ensure that, if the IRS requests it, employers will be able to furnish a hard copy of the electronic Form W-4.

2. USE OF DATA

The information, if requested by the IRS, will be used to verify that the employer used the electronic Form W-4 data properly and to determine whether Form W-4 contains a materially incorrect statement, and is subject to a penalty under section 31.6682-1. The likely respondents are employers that choose to make electronic filing of Forms W-4 available to their employees.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The regulations authorized employers to establish electronic systems for use by employees in filing their Forms W-4 and provide employers guidance necessary to comply with section 3402 of the Internal Revenue Code. Employers will be able to furnish a hard copy of the electronic Form W-4.

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

If this information were not required, the IRS would not be able to verify that the employer used the electronic Form W-4 data properly or whether the employer imposed income tax withholding based on the marital status, number of withholding allowances, and additional amount, if any, requested by the employee on Form W-4. In addition, the IRS would not be able to determine whether the employee filed a Form W-4 that contains a materially incorrect statement. This information will be used to determine if an employee is subject to a penalty under section 31.6682-1. An employee may be subject to a \$500 penalty if he or she submits, with no reasonable basis, a Form W-4 that results in less tax being withheld than is required.

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 (89 FR 17897) dated March 12, 2024, we received no comments during the comment period.

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

No gifts or payments are being 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 "Individual Master File (IMF)" system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.030--Customer Account Data Engine Individual Master File, formerly Individual Master File, and IRS 34.037--IRS Audit Trail and Security Records System. 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 31.3402(f)(5)-1 requires employers, upon request by the IRS, to supply a hard copy of the electronic Form W-4 and a statement that, to the best of the employer's knowledge, the electronic Form W-4 was filed by the named employee. This information is required by the IRS to ensure that, if the IRS requests it, employers will be able to furnish a hard copy of the electronic Form W-4. This information will be used to verify that the employer used the electronic Form W-4 data properly and to determine whether Form W-4 contains a materially incorrect statement. This information will be used to determine if an employee is subject to a penalty under § 31.6682-1.

We estimate that 2,000 employers will be requested by the IRS to supply 80 hard copies of the electronic Form W-4 with a statement that the electronic Form W-4 was filed by the named employee within a given year for a total of 160,000 responses. We estimate that it will take 0.25 hours to retrieve the hard copy of the electronic Form W-4. The total estimated burden is 40,000 hours (2,000 x 80 x .25).

The burden estimate is as follows:

Authority	Description	# of Respondents	#Responses per Respondent	Annual Response	Hours per Response	Total Burden
IRC 3402	TD 8706	2,000	80	160,000	.25	40,000
Total		2,000		160,000		40,000

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to ensure accuracy and consistency.

14. ESTIMATED ANNUAL COST TO THE FEDERAL GOVERNMENT

To ensure more accuracy and consistency across its information collections, IRS is in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

15. REASONS FOR CHANGE IN BURDEN

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

	Requested	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
Annual Number of Responses	160,000	0	0	0	0	160,000
Annual Time Burden (Hrs.)	40,000	0	0	0	0	40,000

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 or regulation 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 REQUIREMENT

There are no exceptions to the certification statement.

Note: The following paragraph applies to 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 information are confidential, as required by 26 U.S.C. 6103.