

SUPPORTING STATEMENT
Internal Revenue Service
Form 1099-Q, Payments from Qualified Education Programs
(Under Section 529 and 530)
OMB Control Number 1545-1760

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) Section 529, defines a Qualified Tuition Program (QTP) and its taxation characteristics.

IRC Section 530, defines a Coverdell Education Savings Account (ESA) and its taxation characteristics.

Form 1099-Q, Payments from Qualified Education Programs (Under Sections 529 and 530), is used by an officer, an employee, or the designee of an officer or employee having control of a program established by a state or eligible educational institution; and made a distribution from a QTP.

Form 1099-Q is used by the QTP and ESA administrators to report distributions. A copy of the Form 1099-Q must be furnished to the recipient.

2. USE OF DATA

Students and designated beneficiaries will use the information provided to report earnings from qualified tuition programs or Coverdell education savings accounts use Form 1099-Q to report distributions and earnings.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing for Form 1099-Q 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

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. There is minimal to no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute under sections 529 and 530

to this type of entity.

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

Less frequent collection of this information can result in taxpayers overstating the amount of allowable education credits by failing to reduce the amount of tuition and other qualified education expenses by the amount of the funds disbursed from the education savings account to cover those expenses. Additionally, less frequent collection of this information can cause taxpayers to understate taxable income from disbursements from the education savings account that were not used to pay for qualified education expenses.

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 April 3, 2024 (89 FR 23084), we have received a public comment from CollegeSavings Foundation. The full comments will be included within submission to the Office of Management and Budget (OMB). The summary of the comments and the IRS responses are below:

Requesting Comments on Form 1099-Q

Comment Number	Summary of public comment	IRS response
1.	The IRS prioritize releasing draft and final version of an updated Form 1099-Q as soon as possible to reflect distributions under the SECURE Act 2.0 Section 126	IRS accepts the commentor’s suggestion to include the SECURE Act 2.0 changes. The IRS release draft instructions that address this issue and how to report these transactions.
2.	That Section 529 plans are not required to track or report new or additional information as it would be burdensome, other than noting on the form that the distribution was paid in a direct trustee-to-trustee transfer to a Roth IRA.	The IRS has received and reviewed the comment letter. The 2023-2024 Department of the Treasury Priority Guidance Plan includes an item entitled “Guidance addressing the SECURE 2.0 Act changes relating to §529.”

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

There has been no payments or gifts provided to 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. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Filing Information Returns Electronically” system, and Privacy Act System of Records notices (SORN) have been issued for this system under IRS 22.062 – Electronic Filing Records, IRS 24.030 – Customer Account Data Engine Individual Master File, IRS 24.046 – Customer Account Data Engine Business 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/privacy-disclosure/privacy-impact-assessments-pia>.

Title 26 U.S.C. 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

IRC sections 529 and 530 require QTP and ESA programs to disclose information and keep records. The programs use Form 1099-Q to report distributions to the IRS and the recipient. The IRS anticipates that there will be 3,649,000 responses annually, with an estimated response time of 13 minutes per response.

Burden Estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC §§ 529, 530	Form 1099 Q	3,649,000	1	3,649,000	.22	802,780
Totals		3,649,000		3,649,000		802,780

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

This information collection will be included in the consolidated OMB submission for information returns currently being developed. IRS is working on the methodology for evaluating information return burden and cost; and will update the cost and burden estimates as part of the consolidation.

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 1099-Q	\$31,338	+	\$0	=	\$31,338
Instructions 1099-Q	\$4,821	+	\$0	=	\$4,821
Grand Total	\$36,159	+	\$0	=	\$36,159
Table costs are based on 2023 actuals obtained from IRS Chief Financial Office and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

There were no changes made to the forms that resulted in any change to the burden previously reported to OMB. We are making this submission to renew the OMB approval.

IRS has updated the burden estimates to reflect current filing data. This has reduced the number of respondents by -40,800 and the corresponding burden hours by -8,976 due to Agency Estimate.

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.