

**Supporting Statement**  
Internal Revenue Service  
Quarterly Federal Excise Tax Returns  
OMB #: **1545-0023**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Excise taxes are taxes paid when purchases are made on a specific good, such as gasoline. Excise taxes are often included in the price of the product. There are also excise taxes on activities, such as on wagering or on highway usage by trucks. One of the major components of the excise program is motor fuel. Internal Revenue Code (IRC) 4081 imposes tax for miscellaneous excise taxes, manufacturers excise taxes, automotive and related items, petroleum products and motor and aviation fuel.

Publication 510, *Excise Taxes*, covers the excise taxes for which taxpayers may be liable and which are reported on Form 720 and other forms. Form 720, *Quarterly Federal Excise Tax Return*, is used to report liability by IRS number and to pay the excise taxes listed on the form. Form 720-X, *Amended Quarterly Federal Excise Tax Return*, is used to make adjustments to liability reported on previously filed forms 720.

Form 6627, *Environmental Taxes*, is used to figure the environmental tax on petroleum, Ozone-Depleting Chemicals (ODCs), imported products that used ODCs as materials in the manufacture or production of the product, and the floor stocks tax on ODCs pursuant to IRC 4461, 4681 and 4682.

The IRS is publishing rules that would prescribe the filing requirements for the excise tax imposed by IRC section 5000D on certain sales by manufacturers, producers, or importers of designated drugs.

**2. USE OF DATA**

The information supplied on Form 720 and related forms are used by the IRS to determine the correct liability. Additionally, the data is reported by the IRS to Treasury so that funds may be transferred from the general revenue fund to the appropriate trust fund.

**3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

Electronic filing of these forms is currently available through any electronic return originator (ERO), transmitter, and /or intermediate service provider (ISP) participating in the IRS-e-file program for excise taxes.

**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**

IRS has attempted to minimize the burden on small businesses or other small entities. The collections of information on this form will not have a significant economic impact on a substantial number of small entities. Small businesses should not be disadvantaged as the requirements are structured to request the least amount of information and still satisfy the requirements of the statute and the needs of the Internal Revenue Service (IRS).

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

Consequences of less frequent collection on federal programs or policy activities would result in the IRS being unable to determine the correct amount of taxes a taxpayer is required to claim, thereby engendering the inability of the IRS to collect the tax in compliance with 26 USC 4081.

**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**

Proposed regulations REG-115559-23 published October 2, 2023, at 88 FR 67690 requested public comments and recommendations on the information collections. IRS received one comment from the Taxpayer National Union, they requested that the Treasury Department and the IRS reconsider the paperwork burden estimate in the Paperwork Reduction Act (44 U.S.C. 3507(d)) (PRA) section of the proposed regulations because the commenter believes that the number of estimated hours is too low. In this request, the commenter suggested that it is possible that no taxpayers will ever incur a section 5000D tax liability. The commenter accepted that the Treasury Department and the IRS do not have historical data on the

number of compliance hours affected taxpayers may experience if a section 5000D tax liability is incurred and did not offer a specific estimated number of hours it views as more accurate than the estimate provided in the proposed regulations. Similarly, the commenter did not offer an alternative calculation methodology that the Treasury Department and the IRS could use to provide a better burden estimate.

The Treasury Department and the IRS calculated the estimated number of paperwork burden hours using the long-standing and established methodology outlined in Publication 5743, Taxpayer Compliance Burden, to arrive at the estimated total annual reporting burden of 1,380 hours stated in the proposed regulations. For these reasons, the Treasury Department, and the IRS estimate that this Treasury decision will impose a total annual reporting burden of 1,380 hours. However, the Treasury Department and the IRS will regularly examine and, as necessary, update the estimated total annual reporting burden of this Treasury decision as required by the PRA.

#### **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 Title 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 “Excise Files Information Retrieval System (EFIRS)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 22.060-Automated Non-Master File (ANMF); IRS 24.046-Customer Account Data Engine (CADE) Business Master File (BMF); IRS 34.037-IRS Audit Trail and Security Records System; IRS 42.002-Excise Compliance Programs; IRS-42.008-Audit Information Management System (AIMS). The Internal Revenue Service PIAs can be found at <http://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

Form 720, *Quarterly Federal Excise Tax Return*, is used to report liability by IRS number and to pay the excise taxes listed on the form. There are over forty separate tax categories on Form 720. The form is used to report: (1) excise taxes due from retailers and manufacturers on the sale or manufacture of various articles; (2) the tax on facilities and services; (3) environmental taxes; (4) luxury tax; and (5) floor stocks taxes. It enables IRS to monitor excise tax liability for various categories on a single form and to collect the tax quarterly in compliance with the law and regulations.

Form 720-X, *Amended Quarterly Federal Excise Tax Return*, is used to make adjustments to liability reported on previously filed forms 720.

Form 6627, *Environmental Taxes*, is used to figure the environmental tax on petroleum, ODCs, imported products that used ODCs as materials in the manufacture or production of the product, and the floor stocks tax on ODCs.

The estimated burden associated with completing these forms is:

Forms	Respondents	# Responses per Respondent	Annual Respondents	Hours per Response	Total Burden
Form 720	180,000	1	180,000	14.48	2,570,400
Form 720-X	22,000	1	22,000	6.90	151,800
Form 6627	3,400	1	3,400	7.00	23,800
<b>Totals</b>	<b>205,400</b>		<b>205,400</b>		<b>2,746,000</b>

Estimates of the annualized cost to respondents for the hour burdens shown above are not available at this time.

Please continue to assign OMB number 1545-0023 to these regulations:

40.6011(a)-1	48.4041-9	48.4061(a)-1	48.4216(c)-1	48.4223-1	49.4253-3
46.4371-4	48.4041-10	48.4061(a)-2	48.4221-1	48.6302(c)-1	49.4253-4
46.4374-1	48.4041-11	48.4061(b)-3	48.4221-2	48.6416(a)-1	49.4264(b)-1
46.4701-1	48.4041-12	48.4071-1	48.4221-3	48.6416(e)-1	
48.4041-4	48.4041-13	48.4073-1	48.4221-4	48.6416(f)-1	
48.4041-5	48.4041-19	48.4073-3	48.4221-5	48.6420(c)-	

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48.4041-6	48.4041-20	48.4216(a)-2	48.4221-6	48.6420(f)-1	
48.4041-7	48.4042-2	48.4216(a)-3	48.4221-7	48.6427-1	

### **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 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.

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.

<b>Product</b>	<b>Labor &amp; Downstream Impact Costs</b>		<b>Print &amp; Shipping Costs</b>		<b>Government Cost Estimate per Product</b>
Form 720	\$146,664	+	\$ 0	=	\$146,664
Instr. Form 720	\$62,677	+	\$ 0	=	\$62,677
Form 720-X	\$27,160	+	\$ 0	=	\$27,160
Form 6627	\$38,083	+	\$ 0	=	\$38,083
Instr. Form 6627	\$5,625	+	\$ 0	=	\$5,625
<b>Grand Total</b>	<b>\$280,209</b>	<b>+</b>	<b>\$ 0</b>	<b>=</b>	<b>\$280,209</b>

Table costs are based on 2022 actuals obtained from IRS Chief Financial Officer and Media and Publications
* New product costs will be included in the next collection update.

## **15. REASONS FOR CHANGE IN BURDEN**

The IRS is making this submission because IRC section 5000D, enacted as part of the Inflation Reduction Act of 2022, imposes an excise tax on certain sales of certain drugs. Final regulations require IRC section 5000D taxpayers to report tax liability on Form 720. A line was added to Form 720 to effectuate the provisions of IRC section 5000D. This is increased the burden by 1,380 hours due to new statutory requirements. Additionally, IRS has re-evaluated the burden calculations which has increased the burden by 353,220 hours 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**

It is believed 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 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 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.