

Supporting Statement
Internal Revenue Service
Form 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information
OMB Control Number 1545-1518

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) Sections 138(e) and 220(h) requires trustees to report to the Internal Revenue Service (IRS) and medical savings accountholders contributions to and the year-end fair market value of any contributions made to an Archer or Medicare Advantage medical savings account (MSA). Congress requires Treasury to report to them the total contributions made to an MSA for the current tax year.

IRC Section 223(h) requires the reporting of contributions to and the year-end fair market value of health savings accounts (HSA) for tax years beginning after December 31, 2003.

Form 5498-SA, is used to report contributions to and rollovers into an Archer MSA, Medicare Advantage MSA, or HSA.

2. USE OF DATA

The IRS will match the data with the information reported on Forms 1099-SA to determine if distributions were timely rolled over to another MSA or HSA or are if they are subject to additional taxes or penalties. Congress will use the data to determine the loss of tax revenue.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing is currently available for Form 5498-SA.

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. Taxpayers can file Form 5498-SA electronically, which further reduces any burden to small businesses.

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

A less frequent collection would hinder the IRS from determining if distributions were timely rolled over to another MSA or subject to a penalty. Congress will use the data to determine the loss of tax revenue.

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 78985), dated September 26, 2024, we received no comments during the comment period regarding Form 5498-SA.

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 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 “Information Returns Master-file (IRMF)”, “Information Returns Processing (IRP)” and Privacy Act System of Records notices (SORN) has been issued for these systems under Treasury/IRS 22.061–Information Return Master File (IRMF); Treasury/IRS 24.030–Customer Account Data Engine Master File; and IRS 34.037–IRS Audit Trail and Security Records System. The Internal Revenue Service PIA’s 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

The burden estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC §§ 138, 220, and 223	F5498-SA	10,500	3,664	38,473,400	.17	6,412,233
Totals		10,500		38,473,400		6,412,233

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. The 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 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.

Product	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form 5498-SA	\$123,057	+	\$0	=	\$123,057
Instructions for Forms 1099-SA and 5498-SA	\$12,621	+		=	\$12,621
Grand Total	\$135,678	+	\$0	=	\$135,678
Table costs are based on 2023 actuals obtained from IRS Chief Financial Officer and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. However, the number of responses was updated based on current filing data. This increases the number of responses by 38,464,233 and the burden hours by 6,410,674 annually due to Agency Estimate.

	Total Requested	Change Due to New Statute	Change Due to Agency Discretion		Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	38,473,400	0	0		38,464,233	0	9,167
Annual Time Burden (Hr)	6,412,233	0	0		6,410,674	0	1,559

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 collection expires 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. EXCEPTION TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.