

## SUPPORTING STATEMENT

Internal Revenue Service

Excise Tax Relating to Gain or Other Income Realized by Any Person on Receipt of Greenmail

OMB Control No. 1545-1049

### 1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 5881 of the Internal Revenue Code (IRC) of 1986 imposes a nondeductible excise tax on any person with respect to receipt of greenmail. This tax is equal to 50 percent of the gain realized, whether or not recognized, by the person on the receipt of greenmail.

Treasury Decision (TD) 8379 provides the manner and method of reporting and paying the excise tax, including the associated recordkeeping requirements. (26 CFR §156.6011-1, §156.6001-1, §156.6081-1, and §156.6161-1).

26 CFR §156.6011-1 provides that every person liable for tax under Section 5881 shall file a return with respect to the tax on the form prescribed by the Internal Revenue Service (IRS). In general, §156.6071-1 requires that the return shall be filed on or before the ninetieth day following receipt of greenmail. Taxpayers use Form 8725 to report and pay the excise tax imposed under Section 5881.

§156.6001-1 requires that every person liable for tax under Section 5881 shall retain all records necessary to support the information reported on Form 8725.

§156.6081-1 requires that persons requesting an extension of time to file Form 8725 must file the application for the extension with the appropriate IRS district director or service center director. §156.6161-1 requires that persons requesting an extension of time to pay the tax shown on Form 8725 or determined as a deficiency shall make the request with the appropriate IRS district director or internal revenue officer. Taxpayers make an extension request using Form 7004, which is approved under OMB Control Number 1545-0233.

### 2. USE OF DATA

The reporting and recordkeeping requirements will be used to verify that the excise tax imposed under Section 5881 is properly reported and timely paid. Form 8725 gives the IRS the information it needs to verify that the tax has been correctly figured.

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

The IRS has no plans to offer electronic filing due to the low number of filers.

### 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 for this collection under section 5881 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 the IRS did not collect this information, the taxpayer would not have the means to calculate the correct tax liability. This would also affect the IRS' ability to collect the proper revenue needed to support the Federal government.

**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 November 4, 2024 (89 FR 87725), we received no comments during the comment period regarding TD 8379 and Form 8725.

**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 "Excise Files Information Retrieval System (ExFIRS)" system. There is no record that a Privacy Act System of Records notice (SORN) has been issued. 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 the IRS systems.

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

The burden for these requirements will be reflected on Form 8725. Per year, approximately 12 taxpayers will be liable for the excise tax and will take 7.62 hours to compile, report, and keep records associated with the form.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
§156.6001-1, and §156.6011-1	Form 8725	12	1	12	7.62	92
<b>Total</b>		<b>12</b>		<b>12</b>		<b>92</b>

Please continue to assign this OMB control number to the following regulations.

- 156.6001-1
- 156.6011-1
- 156.6081-1
- 156.6161-1

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

This information collection will be included in the consolidated OMB submission for excise tax returns currently being developed. IRS is working on the methodology for evaluating excise tax 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.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form 8725 and Instructions	19,285	+	0	=	19,285
<b>Grand Total</b>	<b>19,285</b>	+	<b>0</b>	=	<b>19,285</b>
Table costs are based on 2024 actuals obtained from IRS Chief Financial Office and Media and Publications.					
* New product costs will be included in the next collection update.					

**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.

**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 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 STATEMENT**

There are no exceptions to the certification statement.