

SUPPORTING STATEMENT
Internal Revenue Service
Form W-2G, Certain Gambling Winnings
OMB Control Number 1545-0238

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) sections 6041, 3402(q), and 3406 require the payer of certain gambling winnings to withhold taxes on such payments and report the winnings and tax withholding to the IRS on an information return. Treasury Regulations sections 1.6011-3, 1.6041-10, and 31.3402(q)-1 name Form W-2G as the information return for certain gambling winnings and specify the information required on the return. Form W-2G is used by the payer of certain gambling winnings to report the required information to the IRS and the payee.

2. USE OF DATA

The form is used by the IRS to verify compliance with the reporting rules and to verify that the recipients of the gambling winnings have properly reported them on their tax returns.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form W-2G 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

This information collection will not have a significant economic impact on small businesses or other small entities.

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

The information will be used by the IRS to verify the reporting of certain gambling winnings in accordance with IRC sections 6041, 3402(q), and 3406. If this information is collected less frequently, it would compromise the Agency's ability to enforce tax compliance. Tax compliance is a vital part of the government's ability to meet its mission and serve the public.

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 February 19, 2025, 90 FR 9944, the IRS received a comment from the American Gaming Association. The commenter requested that the IRS use regulatory authority to increase the dollar threshold for tax information reporting of slot machine jackpots in Treasury Regulations section 1.6041-10 from \$1,200 to \$5,000.

The IRS appreciates the suggestion from the commenter. The existing threshold is intended to reach a balance between reporting burden and compliance risk. Additional analysis and regulatory actions are required to determine and adjust threshold amounts. The IRS declines to implement this request at this time.

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 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; 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 6041, 3402(q), and 3406 require payers of certain gambling winning to withhold taxes and disclose information. The IRS anticipates that there will be approximately 31,114,200 respondents annually, with a total estimated burden of 12,445,680 hours annually.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden Hours
IRC 6041, 3402, and 3406	Form W-2G	31,114,200	1	31,114,200	0.40	12,445,680
Totals		31,114,200		31,114,200		12,445,680

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0238 to these regulations.

1.6011-3

1.6041-10

31.3402(q)-1

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 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. These costs do not include any activities such as taxpayer assistance and enforcement.

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 W-2G	\$37,864	\$16,285	\$54,149
Instructions for Forms W-2G and 5754	\$6,311	\$634	\$6,945
Grand Total	\$44,175	\$16,919	\$61,094
Table costs are based on 2023 actuals obtained from IRS Chief Financial Office 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 respondents decreased due to a change in the agency estimate based on IRS Publication 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses: 2024 Update (Table 2).

	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	31,114,200	0	0	16,218,500	0	14,895,700
Annual Time Burden (Hr.)	12,445,680	0	0	6,338,443	0	6,107,237

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 would cause confusion by leading taxpayers to believe that the form sunsets as of the expiration date. Taxpayers may not 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 for this collection.