

Supporting Statement

Internal Revenue Service

Excise Tax on Structured Settlement Factoring Transactions (Form 8876)

OMB Control Number 1545-1826

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) section 5891 imposes on any person who acquires directly or indirectly structured settlement payment rights in a structured settlement factoring transaction a tax equal to 40 percent of the factoring discount as determined under subsection (c)(4).

The purpose of IRC 5891, is to stop the purchasers of structured settlements from taking advantage of recipients who are entitled to tax free settlements, such as the settlements paid to the victims of the September 11 World Trade Center attack

Form 8876, Excise Tax on Structured Settlement Factoring Transactions, is used to report and pay the 40% excise tax imposed under section 5891 on the factoring discount of a structured settlement transaction.

2. USE OF DATA

The Internal Revenue Service (IRS) uses the information collected to verify compliance with section 5891 and its regulations.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

There is no plan to offer electronic filing for this collection due to the low volume 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

There is minimal to no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity. The recordkeeping/reporting requirement is the minimum necessary to ensure compliance with existing regulations under section 157.5891-1.

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

Less frequent collection of this information would result in the IRS being unable to verify tax being calculated and reported correctly for purposes of IRC Section 5891. Additionally, less frequent collection of this information would compromise the IRS'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

We received no comments during the comment period in response to the Federal Register notice (90 FR 23766), dated June 4, 2025.

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 "Affordable Care Act (ACA)" system and a Privacy Act System of Records notice (SORN) has been issued for this system under; IRS 24.030 - Individual Master File, IRS 24.046 - Customer Account Data Engine Business Master File. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/uac/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**

Form 8876 is used to report and pay the 40% excise tax imposed under section 5891 on the factoring discount of a structured settlement transaction.

It is anticipated that there will be 100 respondents that respond once with a response time of 5 hours 36 minutes totaling 560 burden hours.

The burden estimate is as follows:

Authority	Description	# of Respondents	# of Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC § 5891	Form 8876	100	1	100	5.60	560
Totals		100		100		560

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

The IRS currently estimates the cost burden on respondents to be nominal. There are no start-up or maintenance costs for this collection. The collection does not require respondents to obtain specialized equipment or professional services.

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 8876	\$19,417	+	\$0	=	\$19,417
Grand Total	\$19,417	+	\$0	=	\$19,417
Table costs are based on FY23 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, but IRS is implementing Executive Order 14247. We are 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

The IRS believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the forms expire 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. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement for this collection.