

SUPPORTING STATEMENT

Internal Revenue Service

Form 1042, Schedule Q (Form 1042), Form 1042-S, Form 1042-T, and Section 871(m)
Transactions

OMB Control Number 1545-0096

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) sections 871, 877A, 1441, 1442, 1445, 1446, 1471, 1472, 5000C, and 6049 require withholding agents to deduct and withhold specified amounts of income paid to certain expatriates, nonresident aliens, foreign persons, foreign partnerships, and foreign corporations for tax liabilities under IRC Subtitle A. IRC sections 1461 and 1474, and their associated regulations, make these withholding agents liable for such tax and require reporting of taxes and payments to the Internal Revenue Service (IRS).

Treasury Regulations section 1.871-15(p) was added by Treasury Decision (TD) 9734, as amended by TD 9815, as amended by TD 9887. This regulation provides that any party to an IRC section 871(m) transaction may request information regarding that transaction from another party to the transaction. There is no prescribed form required. Any statement required by section 1.871-15(p) may be provided in paper or electronic form. The regulation allows taxpayers to share information in any reasonable manner agreed to by the parties. See 1.871-15(p)(3)(i).

Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, is used by withholding agents to report tax amounts withheld from payments to certain expatriates, nonresident aliens, foreign persons, foreign partnerships, and foreign corporations to the IRS.

Schedule Q (Form 1042), Tax Liability of Qualified Derivatives Dealer (QDD), is used by a taxpayer, or any branch of the taxpayer, that was a QDD to report tax liabilities as required by Treasury Regulations section 1.441-1(e)(6)(i)(D)(3).

Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, is an information return used by the withholding agent to report certain income and amounts withheld to the payee and the IRS.

Form 1042-T, Annual Summary and Transmittal of Forms 1042-S, is used by the withholding agent to transmit paper Forms 1042-S to the IRS.

2. USE OF DATA

The IRS will use the data to ensure compliance with the withholding requirements of IRC, Subtitle A, Chapters 3 and 4, and their associated regulations. Withholding agents will also use the data to determine the amount, if any, of U.S. withholding tax to collect and pay.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 1042 and Form 1042-S is currently available. Treasury Regulations section 1.871-15(p) also allows for electronic exchange of information.

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

Small businesses should not be disadvantaged as the form has been structured to request the least amount of information and still satisfy the requirements of the statutes and the needs of the 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 consist of decreased amount of taxes collected by the IRS, inaccurate and untimely filing of tax returns, and an increase in tax violations. Collecting the information less frequently would also 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 public comment period in response to the Federal Register notice (90 FR 31579), dated July 14, 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 and a Privacy Act System of Records notice (SORN) has been issued for these systems under IRS 22.026 – Form 1042 Index by Name of Recipient, IRS 22.062 – Electronic Filing Records, IRS 24.030 – Customer Account Data Engine (CADE) Individual Master File, IRS 24.046 – CADE Business Master File, and 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 871, 877A, 1441, 1442, 1445, 1446, 1471, 1472, 5000C, and 6049 require withholding agents to deduct and withhold specified amounts of income paid to certain expatriates, nonresident aliens, foreign persons, foreign partnerships, and foreign corporations for tax liabilities under IRC Subtitle A. IRC sections 1461 and 1474, and their associated regulations, make these withholding agents liable for such tax and require reporting of taxes and payments to the IRS.

Authority	Description	# of Respondents	# of Responses per Respondent	Annual Responses	Hours per Response	Total Burden Hours
IRC §§ 1461, 1474	Form 1042	68,300	1	68,300	29.49	2,014,167
IRC § 1441	Sch Q (Form 1042)	100	1	100	5.75	575
IRC §§ 1461, 1474	Form 1042-S	68,300	255.68	17,463,200	.58	10,128,656
IRC §§ 1461, 1474	Form 1042-T	500	1	500	.2	100
IRC § 871	Treas. Reg. 1.871-15(p)	30,000	1	30,000	8	240,000
Totals				17,562,100		12,383,498

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0096 to these regulations.

1.461-2	1.1441-5	1.1445-8
1.871-1	1.1443-1	1.1461-2

1.5000C-2	1.6049-4	1.6414-1
1.5000C-3	1.6049-5	31.3401(a)(6)-1
1.6011-1	1.6049-6	31.3406(g)-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.

Product	Aggregate Cost per Product (factor applied)		Printing and Distribution		Government Cost Estimate per Product
Form 1042	\$78,050	+	\$0	=	\$78,050
Form 1042 Instructions	\$46,505	+	\$0	=	\$46,505
Form 1042-S	\$152,197	+	\$1,632	=	\$153,829
Form 1042-S Instructions	\$76,099	+	\$0	=	\$76,099
Form 1042-T	\$93,009	+	\$0	=	\$93,009
Scheduled Q (Form 1042)	\$55,035	+	\$0	=	\$55,035
Grand Total	\$500,895	+	\$1,632	=	\$502,527
Table costs are based on 2024 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. However, the number of responses was updated based on current filing data. This increases the number of responses by 9,003,900 and the burden hours by 5,679,249 annually due to Agency Estimate.

	Total Approved	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	17,562,100	0	0	9,003,900	0	8,558,200
Annual Time Burden (Hr.)	12,383,498	0	0	5,679,249	0	6,704,249

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 form expires 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.