

**Supporting Statement**  
Internal Revenue Service  
Interest Charge on DISC-Related Deferred Tax Liability  
Form 8404  
OMB Control Number 1545-0939

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Internal Revenue Code (IRC) section 995(f) requires the shareholders of Interest Charge Domestic International Sales Corporations (IC-DISCs) to pay an interest charge on their DISC-related deferred tax liability. The Treasury Regulations under 26 CFR §1.991-1 through §1.997-1 cover Domestic International Sales Corporations.

Form 8404 was developed to help the shareholders (individuals, corporations, estates, or trusts) in figuring the interest charge as outlined in §1.995-1. The interest charge is based on the shareholder's deferred tax liability that results from the shareholders including his or her share of the IC-DISC income in his or her tax return for the year.

**2. USE OF DATA**

The Internal Revenue Service (IRS) uses Form 8404 information to verify that shareholders of the IC-DISC have correctly figured and paid the section 995(f) interest charge.

**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 are no small entities affected by this collection.

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

The information required is needed to verify compliance with the IRC section 995(f) of the Treasury Regulations. A less frequent collection of taxes and tax information could

adversely affect the government’s effectiveness and would reduce the oversight of the public in ensuring compliance with IRC and hinder the IRS from meeting its mission.

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 61502), dated December 31, 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 “Business Master file (BMF)” and a Privacy Act System of Records notice (SORN) has been issued for these systems under: IRS 24.046 - CADE Business Master File (BMF); IRS 34.037 - IRS Audit Trail and Security Records System. The Internal Revenue Service PIA’s 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.

The Privacy Act statement associated with this attachment is listed in the instructions.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

Form 8404 is used by shareholders of IC-DISCs to figure and report their interest on DISC-related deferred tax liability.

The burden is as follows:

Authority	Description	# of Respondents	# of Responses per Respondent	Annual Responses	Hours per Response	Total Burden Hours
IRC § 995f	Form 8404	2,500	1	2,500	7 hrs. 49 mins.	19,475
Totals		2,500		2,500		19,475

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0939 to these regulations.

1.995-1  
1.921-1T

**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 8404	\$58,252	+	\$0	=	\$58,252
Grand Total	\$58,252	+	\$0	=	\$58,252
Table costs are based on 2025 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. We are making this submission to renew the OMB approval. IRS has updated the burden estimates to reflect current filing data. This has increased the number of respondents by 500 and the corresponding burden hours by 3,895 due to Agency Estimate.

	<b>Total Requested</b>	<b>Change Due to New Statute</b>	<b>Change Due to Agency Discretion</b>	<b>Change Due to Adjustment in Estimate</b>	<b>Change Due to Potential Violation of the PRA</b>	<b>Previously Approved</b>
Annual Number of Responses	2,500	0	0	500	0	2,000
Annual Time Burden (Hr)	19,475	0	0	3,895	0	15,580

**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 form 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. EXCEPTIONS TO THE CERTIFICATION STATEMENT**

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