

maintenance, and purchase of services to provide information.

Approved: September 21, 2016.

R. Joseph Durbala,

IRS, Tax Analyst.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

Proposed Collection; Comment Request for Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL and Related Attachments

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice and request for comments.

SUMMARY: The Internal Revenue Service, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and continuing information collections, as required by the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13 (44 U.S.C. 3506(c)(2)(A)). This notice requests comments on all forms used by business entity taxpayers: Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL; and all attachments to these forms (see the Appendix to this notice). With this notice, the IRS is also announcing significant changes to (1) the manner in which tax forms used by business taxpayers will be approved under the PRA and (2) its method of estimating the paperwork burden imposed on all business taxpayers.

DATES: Written comments should be received on or before November 28, 2016 to be assured of consideration.

ADDRESSES: Direct all written comments to Tuawana Pinkston, Internal Revenue Service, Room 6526, 1111 Constitution Avenue NW., Washington, DC 20224.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the form and instructions should be directed to Allan Hopkins, at Internal Revenue Service, Room 6129, 1111 Constitution Avenue NW., Washington, DC 20224, or through the internet, at Allan.M.Hopkins@irs.gov.

SUPPLEMENTARY INFORMATION:

Change in PRA Approval of Forms Used by Business Taxpayers

Under the PRA, OMB assigns a control number to each “collection of information” that it reviews and approves for use by an agency. A single information collection may consist of one or more forms, recordkeeping requirements, and/or third-party disclosure requirements. Under the PRA and OMB regulations, agencies have the discretion to seek separate OMB approvals for business forms, recordkeeping requirements, and third-party reporting requirements or to combine any number of forms, recordkeeping requirements, and/or third-party disclosure requirements (usually related in subject matter) under one OMB Control Number. Agency decisions on whether to group individual requirements under a single OMB Control Number or to disaggregate them and request separate OMB Control Numbers are based largely on considerations of administrative practicality.

The PRA also requires agencies to estimate the burden for each collection of information. Accordingly, each OMB Control Number has an associated burden estimate. The burden estimates for each control number are displayed in (1) the PRA notices that accompany collections of information, (2) **Federal Register** notices such as this one, and (3) in OMB’s database of approved information collections. If more than one form, recordkeeping requirement, and/or third-party disclosure requirement is approved under a single control number, then the burden estimate for that control number reflects the burden associated with all of the approved forms, recordkeeping requirements, and/or third-party disclosure requirements.

As described below under the heading “New Burden Model,” the IRS’s new Business Taxpayer Burden Model (BTBM) estimates of taxpayer burden are based on taxpayer characteristics and activities, taking into account, among other things, the forms and schedules generally used by those groups of business taxpayers and the recordkeeping and other activities needed to complete those forms. The BTBM represents the second phase of a long-term effort to improve the ability of IRS to measure the burden imposed on various groups of taxpayers by the federal tax system. While the new methodology provides a more accurate and comprehensive description of business taxpayer burden, it will not provide burden estimates on a form-by-form basis, as has been done under the

previous methodology. When the prior model was developed in the mid-1980s, almost all tax returns were prepared manually, either by the taxpayer or a paid provider. In this context, it was determined that estimating burden on a form-by-form basis was an appropriate methodology. Today, over 90 percent of all business entity tax returns are prepared using software or with preparer assistance. In this environment, in which many taxpayers’ activities are no longer as directly associated with particular forms, estimating burden on a form-by-form basis is not an appropriate measurement of taxpayer burden. The new model, which takes into account broader and more comprehensive taxpayer characteristics and activities, provides a much more accurate and useful estimate of taxpayer burden.

Currently, there are 206 forms used by business taxpayers. These include Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL, and their schedules and all the forms business entity taxpayers attach to their tax returns (see the Appendix to this notice). For most of these forms, IRS has in the past obtained separate OMB approvals under unique OMB Control Numbers and separate burden estimates.

The BTBM estimates the aggregate burden imposed on business taxpayers, based upon their tax-related characteristics and activities. IRS therefore will seek OMB approval of all 206 business-related tax forms as a single “collection of information.” The aggregate burden of these tax forms will be accounted for under OMB Control Number 1545-0123, which is currently assigned to Form 1120 and its schedules. OMB Control Number 1545-0123 will be displayed on all business tax forms and other information collections. As a result of this change, burden estimates for business taxpayers will now be displayed differently in PRA Notices on tax forms and other information collections, and in **Federal Register** notices. This new way of displaying burden is presented below under the heading “Proposed PRA Submission to OMB.” Because 44 of the 206 forms used by business taxpayers are also used by tax-exempt organizations, trusts and estates and other kinds of taxpayers, there will be a transition period during which IRS will report different burden estimates for individual taxpayers (OMB Control Number 1545-0074), business taxpayers (OMB Control Number 1545-0123), and another OMB Control Number for other taxpayers using the same forms. For

those forms covered under OMB Control Numbers 1545–0074 and/or 1545–0123 and also used by other taxpayers, IRS will display the OMB Control Number related to the other filers on the form and provide the burden estimate for those taxpayers in the form instructions. The form instructions will refer readers to the burden estimates for individual and/or business taxpayers, as applicable. The burden estimates for business taxpayers will be reported and accounted for as described in this notice. The burden estimates for individual taxpayers will continue to be reported and accounted for under OMB Control Number 1545–0074 using a method similar to the method described in this notice. The burden estimates for other users of these forms will be determined under prior methodology based on form length and complexity.

New Burden Model

Data from the new BTBM revise the estimates of the levels of burden experienced by business taxpayers when complying with the federal tax laws. It replaces the earlier burden measurement developed in the mid-1980s. Since that time, improved technology and modeling sophistication have enabled the IRS to improve the burden estimates. The new model provides taxpayers and the IRS with a more comprehensive understanding of the current levels of taxpayer burden. It reflects major changes over the past two decades in the way taxpayers prepare and file their returns. The new BTBM also represents a substantial step forward in the IRS's ability to assess likely impacts of administrative and legislative changes on business taxpayers.

The BTBM's approach to measuring burden focuses on the characteristics and activities of business taxpayers rather than the forms they use. Key determinants of taxpayer burden in the model are the type of entity, total assets, total receipts, and activities reported on the tax return (income, deductions, credits, etc). In contrast, the previous estimates primarily focused on the length and complexity of each tax form. The changes between the old and new burden estimates are due to the improved ability of the new

methodology to measure burden and the expanded scope of what is measured. These changes create a one-time shift in the estimate of burden levels that reflects the better measurement of the new model. The differences in estimates between the models do not reflect any change in the actual burden experienced by taxpayers. Comparisons should not be made between these and the earlier published estimates, because the models measure burden in different ways.

Methodology

Burden is defined as the time and out-of-pocket costs incurred by taxpayers to comply with the federal tax system. As has been done for individual taxpayer burden since 2005, both the time expended and the out-of-pocket costs for business taxpayers are estimated. The burden estimation methodology relies on surveys that measure time and out-of-pocket costs that taxpayers spend on pre-filing and filing activities. The methodology establishes econometric relationships between tax return characteristics and reported compliance costs. The methodology controls for the substitution of time and money by monetizing time and reporting total compliance costs in dollars. This methodology better reflects taxpayer compliance burden, because in a world of electronic tax preparation, time and out-of-pocket costs are governed by the information required rather than the form on which it is ultimately reported. Importantly, even where various businesses complete the same tax form lines, the new methodology differentiates the cost incurred to complete those forms based on characteristics of those businesses. Key business characteristics that serve as coefficients in the BTBM are:

- Entity type.
- Total assets.
- Total receipts.
- Return complexity.

The new model uses the following classifications of business taxpayers:

- Partnerships (Forms 1065, 1065-B, 1066).
- Taxable corporations (Forms 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-POL).

- Pass-through corporations (Forms 1120-REIT, 1120-RIC, 1120-S).

Each classification is further refined to separate large and small businesses, where a large business is generally defined as one having end of year assets totaling more than \$10 million.

Taxpayer Burden Estimates

Tables 1, 2, and 3 below show the burden model estimates for each of the three classifications of business taxpayers. The data shown are the best estimates for 2013 business entity income tax returns available as of February 2016. The estimates are subject to change as new forms and data become available.

Proposed PRA Submission to OMB

Title: U.S. Business Income Tax Return.

OMB Number: 1545–0123.

Form Numbers: Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL and all attachments to these forms (see the Appendix to this notice).

Abstract: These forms are used by businesses to report their income tax liability. The data is used to verify that the items reported on the forms are correct, and also for general statistics use.

Current Actions: Changes are being made to the forms and the method of burden computation.

Type of Review: Extension of currently approved collections.

Affected Public: Businesses.

Estimated Number of Respondents: 10,900,000.

Total Estimated Time: 2.997 billion hours.

Estimated Time per Respondent: 275 hours.

Total Estimated Out-of-Pocket Costs: \$52.56 billion.

Estimated Out-of-Pocket Cost per Respondent: \$4,822.

Note: Amounts below are for FY2015. Reported time and cost burdens are national averages and do not necessarily reflect a "typical" case. Most taxpayers experience lower than average burden, with taxpayer burden varying considerably by taxpayer type. Detail may not add due to rounding.

TABLE 1

| Primary form filed or type of taxpayer | Number of returns (millions) | Burden | |
|--|------------------------------|--------------|--------------|
| | | Average time | Average cost |
| All Partnerships | 3.9 | 290 | 5,700 |
| Small | 3.7 | 270 | 4,400 |

TABLE 1—Continued

| Primary form filed or type of taxpayer | Number of returns (millions) | Burden | |
|--|------------------------------|--------------|--------------|
| | | Average time | Average cost |
| Large * | 0.2 | 610 | 29,000 |

Forms 1065, 1065-B, 1066 and all attachments.

TABLE 2

| Primary form filed or type of taxpayer | Number of returns (millions) | Burden | |
|--|------------------------------|--------------|--------------|
| | | Average time | Average cost |
| All Taxable Corporations | 2.1 | 315 | 6,300 |
| Small | 2.0 | 280 | 4,000 |
| Large * | 0.1 | 1,250 | 68,900 |

Forms 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-POL and all attachments.

TABLE 3

| Primary form filed or type of taxpayer | Number of returns (millions) | Burden | |
|--|------------------------------|--------------|--------------|
| | | Average time | Average cost |
| All Pass-Through Corporations | 4.9 | 245 | 3,500 |
| Small | 4.8 | 240 | 3,100 |
| Large ** | 0.1 | 610 | 30,800 |

Forms 1120-REIT, 1120-RIC, 1120-S and all attachments.

* A large business is defined as one having end of year assets greater than \$10 million.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB Control Number.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Request for Comments

Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation,

maintenance, and purchase of services to provide information.

Approved: September 19, 2016.

Allan Hopkins,

Tax Analyst.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

Proposed Collection; Comment Request for Notice 2001-1

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104-13 (44 U.S.C. 3506(c)(2)(A)). Currently, the IRS is soliciting comments concerning Notice 2001-1, Employer-Designed Tip Reporting Program for the Food and Beverage Industry (EmTRAC).

DATES: Written comments should be received on or before November 28, 2016 to be assured of consideration.

ADDRESSES: Direct all written comments to Tuawana Pinkston, Internal Revenue Service, Room 6526, 1111 Constitution Avenue NW., Washington, DC 20224.

FOR FURTHER INFORMATION CONTACT:

Requests for additional information or copies of the notice should be directed to Martha R. Brinson, Internal Revenue Service, Room 6129, 1111 Constitution Avenue NW., Washington, DC 20224, or through the Internet at Martha.R.Brinson@irs.gov.

SUPPLEMENTARY INFORMATION:

Title: Employer-Designed Tip Reporting Program for the Food and Beverage Industry (EmTRAC).

OMB Number: 1545-1716.

Notice Number: Notice 2001-1.

Abstract: Information is required by the Internal Revenue Service in its compliance efforts to assist employers and their employees in understanding and complying with Internal Revenue Code section 6053(a), which requires employees to report all their tips monthly to their employers.

Current Actions: There are no changes being made to the notice at this time.

Type of Review: Extension of a currently approved collection.

Affected Public: Business or other for-profit organizations.

Estimated Number of Respondents and/or Recordkeepers: 20.