



[4830-01-p]

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**Proposed Collection; Comment Request for Regulation Project**

**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 continuing information collections, as required by the Paperwork Reduction Act of 1995. The IRS is soliciting comments on forms used by individual taxpayers: Comment Request focused on Form 1040 and Schedules 1, 2, 3, 4, 5, 6, the discontinuance of 1040A and 1040EZ and revised Form W-4. The remainder of the collection including Schedules A, B, C, C-EZ, D, E, EIC, F, H, J, R, and SE, Form 1040NR, Form 1040NR-EZ, Form 1040X, and all attachments to these forms will be addressed on the next submission of the information collection.

**DATES:** Comments should be received on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]** to be assured of consideration.

**ADDRESSES:** Taxpayers may submit comments electronically via the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov) (type IRS-2018-0015 in the search field on the regulation.gov homepage to find this notice and submit comments). All recommendations for guidance submitted by the public in response to this notice will be available for public inspection and copying in their entirety. Direct all written comments

to Laurie Brimmer, Internal Revenue Service, at (202) 317-5756, room 6529, 1111 Constitution Avenue NW., Washington, DC 20224.

**FOR FURTHER INFORMATION CONTACT:** Requests for additional information or copies of the form should be directed to Kerry Dennis at Internal Revenue Service, at (202) 317-5751 Room 6529, 1111 Constitution Avenue NW., Washington DC 20224, or through the internet, at omb.unit@irs.gov.

**SUPPLEMENTARY INFORMATION:**

**PRA Approval of Forms Used by Individual Taxpayers**

Under the PRA, OMB assigns a control number to each "'collection of information'" that it reviews and approves for use by an agency. The PRA also requires agencies to estimate the burden for each collection of information. Burden estimates for each control number are displayed in (1) PRA notices that accompany collections of information, (2) Federal Register notices such as this one, and (3) OMB's database of approved information collections.

**Taxpayer Burden Model**

The IRS uses the Individual Taxpayer Burden Model (ITBM) to estimate the burden experienced by individual taxpayers when complying with Federal tax laws. The model was developed using a survey of tax year 2015 individual taxpayers that was fielded in 2016 and 2017. The approach to measuring burden focuses on the characteristics and activities undertaken by individual taxpayers in meeting their tax return filing obligations.

Burden is defined as the time and out-of-pocket costs incurred by taxpayers in complying with the Federal tax system. Out-of-pocket costs include any expenses incurred by taxpayers to prepare and submit their

tax returns. Examples include tax return preparation fees, the purchase price of tax preparation software, submission fees, photocopying costs, postage, and phone calls (if not toll-free).

The methodology distinguishes among preparation method, taxpayer activities, taxpayer type, filing method, and income level. Indicators of tax law and administrative complexity, as reflected in the tax forms and instructions, are incorporated into the model.

Preparation methods reflected in the model are as follows:

- Self-prepared without software,
- Self-prepared with software, and
- Use of a paid preparer or tax professional.

Types of taxpayer activities reflected in the model are as follows:

- Recordkeeping,
- Tax planning,
- Gathering tax materials,
- Use of services (IRS and other),
- Form completion, and
- Form submission.

#### Taxpayer Burden Estimates

Summary level results from fiscal year 2018 using this methodology are presented below. The data shown were the best forward-looking estimates available for income tax returns filed for tax year 2017.

The burden estimates were based on tax year 2017 statutory requirements as of January 31, 2018 for taxpayers filing a tax year 2017 Form 1040, 1040A, or 1040EZ tax return. Time spent and out-of-pocket

costs are presented separately. Time burden is broken out by taxpayer activity, with record keeping representing the largest component. Out-of-pocket costs include any expenses incurred by taxpayers to prepare and submit their tax returns. Examples include tax return preparation and submission fees, postage and photocopying costs, and tax preparation software costs.

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. For instance, the estimated average time burden for all taxpayers filing a tax year 2017 Form 1040, 1040A, or 1040EZ is 12 hours, with an average cost of \$210 per return. This average includes all associated forms and schedules, across all preparation methods and taxpayer activities. The average burden for taxpayers filing a tax year 2017 Form 1040 is about 15 hours and \$270; the average burden for taxpayers filing a tax year 2017 Form 1040A is about 7 hours and \$90; and the average for a tax year 2017 Form 1040EZ filers is about 5 hours and \$40.

Within each of these estimates there is significant variation in taxpayer activity. For example, tax year 2017 non-business taxpayers are expected to have an average burden of about 8 hours and \$120, while tax year 2017 business taxpayers are expected to have an average burden of about 21 hours and \$410. Similarly, tax preparation fees and other out-of-pocket costs vary extensively depending on the tax situation of the taxpayer, the type of software or professional preparer used, and the geographic location.



**Proposed PRA Submission to OMB**

**Title:** U.S. Individual Income Tax Return

**OMB Number:** 1545-0074

**Form Numbers:** Form 1040 and Schedules 1, 2, 3, 4, 5, 6, the discontinuance of 1040A and 1040EZ and revised Form W-4.

**Abstract:** These forms are used by individuals 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 statistical use.

**Current Actions:****2018 draft Form 1040**

The revised 2018 Form 1040 is in draft form and subject to change. The updated form, full set of draft instructions, and updated burden and cost estimates will be included in the 30day FRN issued by Treasury. Following the most expansive tax law changes in 30 years, Treasury asked the IRS to look at ways to improve the 1040 filing experience. In response, the IRS took a strategic look at the family of 1040 forms with a goal of simplifying the experience for taxpayers and our partners in the tax industry. The 2018 draft Form 1040 replaces the current Form 1040 as well as the Form 1040A and the Form 1040EZ. The 2018 draft Form 1040 uses a "building block" approach, which can be supplemented with additional schedules as needed. The 2018 draft Form 1040 goes from the current 79 lines to somewhere around 23 lines. Taxpayers with straightforward tax situations would only need to file this new 1040 with no additional schedules. The changes effective in 2018 and

affecting the tax returns taxpayers will file in 2019 include (but are not limited to);

The Filing Status section was simplified. The filing status is "Single" if only one name is entered; "Married filing jointly" if two are entered and no filing status box is checked.

Information for the standard deduction was moved below the name entry spaces.

The checkbox for "Full-year health care coverage" was moved to the first page.

The "Exemptions" section was renamed "Dependents." Taxpayers will continue to list individuals for whom they claim tax benefits associated with an exemption. Only two dependents can be listed on the form itself. Just as in 2017, dependents who cannot be listed on the form must be identified in an attached statement.

The entry spaces for subtotaling exemptions were removed; a new checkbox was added for dependents who qualify for the credit for other dependents.

The signature block was moved. An entry space was added for the spouse's identity protection PIN in lieu of the taxpayer's daytime phone number. The "Paid Preparers" section was shortened and a

third-party designee box was added. Taxpayers with third-party designees or a foreign address must attach Schedule 6.

Line 4 (IRAs, pensions and annuities) combined 2017 Form 1040, lines 15 and 16.

Line 6 is a subtotal from Schedule 1, which includes less common types of income, as well as any adjustments to income.

Line 9 was added for the qualified business income deduction under section 199A.

Line 11 is the chapter 1 tax. Taxpayers with less common situations will enter an amount from Schedule 2, which generally includes lines 44 through 47 of the 2017 Form 1040.

Line 12 is the child tax credit and/or credit for other dependents. Taxpayers with other nonrefundable credits, will enter a subtotal from Schedule 3, which generally includes lines 48 through 55 of the 2017 Form 1040.

Line 14 is a subtotal from Schedule 4, which generally includes the items from the "Other Taxes" section of the 2017 Form 1040.

Line 17 is refundable credits and some payments. The earned income credit, additional child tax credit, and American opportunity tax



credit remain on the form. Taxpayers with other credits and payments will enter an amount from Schedule 5, which generally includes items from the "Payments" section of the 2017 Form 1040.

Treasury's Office of Tax Analysis projects that roughly 25% of projected 2018 individual income tax filers would be able to file the new form without any attachments (meaning any of the six new schedules or any existing forms or schedules that are retained). For context, in Tax Year 2015, 16% of 1040 series returns filed were Form 1040-EZ.

#### **2019 draft Form W-4**

The Form W-4 was changed for 2019 as a result of PL 115-97 (Tax Reform Act of 2017), especially section 11041, which reduced the personal exemption amount to zero and modified the statute related to withholding of tax from wages. Even though most tax changes were effective for tax year 2018, PL 115-97 allowed these withholding changes to be delayed until 2019.

The Form W-4 is modified to remove the reliance on the personal exemption and discrete number of withholding allowances. The Form W-4 has separate instructions, which provide comprehensive guidance for employees and employers. For ease of use in simple situations, a summary version of the instructions has been added to the back of the 2019 W-4 form for quick reference. New lines were added to the W-4 in order to provide more accurate withholding amounts.

The Form W-4 provides more accurate withholding by addressing credits, other income, deductions and a graduated tax rate structure directly,

rather than converting these items to a discrete number of withholding allowances tied to the personal exemption amount under prior law. The Form W-4 reduces complexity for employees by allowing them to directly report tax credits and adjustments to income, rather than using worksheets to convert these items to withholding allowances.

#### Burden Impact Evaluation

A thorough analysis of the impact of the Tax Cuts and Jobs Act (TCJA) of 2017 on the burden faced by individual taxpayers in complying with the Federal tax law is still underway but preliminary results indicate that the overall impact of the law on individuals will lower taxpayer burden. Currently, the average time to complete a tax year 2018 individual tax return is estimated to decrease by 4% to 7% and the average out-of-pocket costs are estimated to decrease 1% to 3%. A more detailed evaluation of the impact of specific provisions will be provided soon.

The expected impact of TCJA provisions by statutory and discretionary change are provided below:

Statutory Changes - Overall, the statutory changes are expected to lead to an overall decrease in burden. There are three major changes that are expected to have a material impact on burden in the TCJA.

1. The increase in the standard deduction and the limitation on the Schedule A tax deduction, taken together, are the most

substantial changes introduced in the TCJA. These changes are expected to decrease the number of Schedule A filers from 46 million to 20 million. The 26 million drop in Schedule A filings is expected to lead to a material decrease in burden.

2. The change in thresholds on the Form 6251 for alternative minimum tax is expected to lead to a significant decrease in Form 6251 filings, from 10 million to 1 million or less. This change should also lead to a material drop in burden.

3. The new Sec 199A Deduction for qualified business income is expected to increase burden for many filers who report sole proprietor and passthrough income. The deduction is also expected to increase the number of filers with sole proprietors and passthrough income which should increase burden.

Overall, the decreases in burden from the change in Schedule A and Form 6251 filings are expected to more than offset the increase burden from the Sec 199A Deduction.

IRS Discretionary Changes - The largest discretionary change in place for tax year 2018 is the redesign of the Form 1040 and the discontinuance of Forms 1040A, and 1040EZ. Modest decreases in burden are expected for some taxpayers who prepare by hand without using a paid preparer or tax software but overall, the transition from Forms 1040, 1040A, and 1040EZ to the shortened Form 1040 is not expected to

have a material impact on the burden individual taxpayers face. Approximately 95% of individual taxpayers use a paid preparer or tax software to complete their tax return and almost 90% of individual taxpayers e-file. Currently, these taxpayers using assisted methods interact with either a tax software interface or a paid preparer so they have limited interaction with the tax forms themselves. There is very little expectation for their experience to change so the form redesign is not expected to have a material impact on them.

The impact of the Form 1040 redesign on the approximately 5% of individual taxpayers who complete their taxes by hand without using a paid preparer or software is not expected to have a material impact on overall filing burden. The current expectation is that some taxpayers who prepare unassisted will have marginally lower burden while others will have marginally higher burden. For example, taxpayers who previously filed a Form 1040EZ may experience slightly more burden because they need to evaluate more information than before while a segment of taxpayers who previously filed the Form 1040 and 1040A may experience slightly less burden because they need to evaluate less information than before. In addition, some filers are expected to experience a reduction in burden from the separation of the components of the Form 1040 onto the new set of schedules while some are not. Overall, the minor increases and decreases that this population experiences are expected to mostly offset and lead to an immaterial change in burden.

**Type of Review:** Revision of currently approved collections

**Affected Public:** Individuals or households

**Estimated Number of Respondents:** 157,800,000

**Total Estimated Time:** 1.970 billion hours (1,970,000,000 hours)

**Estimated Time Per Respondent:** 12.48 hours

**Total Estimated Out-of-Pocket Costs:** \$32.315 billion (\$32,315,000,000)

**Estimated Out-of-Pocket Cost Per Respondent:** \$205

**Total Estimated Monetized Burden:** \$63.373 billion (\$63,373,000,000)

**Estimated Monetized Burden Per Respondent:** \$402

The following paragraph applies to all of the collections of information covered by this notice.

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 shall 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: July 17, 2018.

Roberto Mora-Figueroa,  
Acting Section Chief, Special Services.  
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