



4830-01-P

DEPARTMENT OF THE TREASURY

Agency Information Collection Activities; Submission for OMB Review; Comment Request; U.S. Individual Income Tax Return

AGENCY: Departmental Offices, U.S. Department of the Treasury.

ACTION: Notice.

SUMMARY: The Department of the Treasury will submit the following information collection request to the Office of Management and Budget (OMB) for review and clearance in accordance with the Paperwork Reduction Act of 1995, on or after the date of publication of this notice. The public is invited to submit comments on this request.

DATES: Comments should be received on or before [**INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**] to be assured of consideration.

ADDRESSES: Send comments regarding the burden estimate, or any other aspect of the information collection, including suggestions for reducing the burden, to (1) Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Desk Officer for Treasury, New Executive Office Building, Room 10235, Washington, DC 20503, or e-mail at OIRA_Submission@OMB.EOP.gov and (2) Treasury PRA Clearance Officer, 1750

Pennsylvania Ave. NW., Suite 8100, Washington, DC 20220, or email at PRA@treasury.gov.

FOR FURTHER INFORMATION CONTACT: Copies of the submissions may be obtained from Jennifer Quintana by e-mailing PRA@treasury.gov, calling (202) 622-0489, or viewing the entire information collection request at www.reginfo.gov.

SUPPLEMENTARY INFORMATION:

Internal Revenue Service (IRS)

Title: U.S. Individual Income Tax Return.

OMB Control Number: 1545-0074.

Type of Review: Revision of a currently approved collection.

Description: These forms and schedules are used by individuals to report their income tax liability. IRS uses the data collected on these forms and their schedules to compute tax liability and determine that the items claimed are properly allowable. This information is also used for general statistical purposes.

Current Actions:

2018 draft Form 1040

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):

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.

Burden Impact Evaluation

An 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 indicates 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 9% and the average out-of-pocket costs are estimated to decrease 2%.

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.

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 and the elimination of certain Schedule A line items is expected to lead to decrease of 241,000,000 hours and a decrease of \$2,948,000,000 in out-of-pocket costs.

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 is expected to lead to a decrease of 13,000,000 hours and a decrease of \$557,000,000 in out-of-pocket costs.

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. This change is expected to lead to an increase of 52,000,000 hours and an increase of \$1,303,000,000.

Additional changes, such as the adjustment of the child tax credit phaseout threshold and credit amount, the introduction of the older dependent credit, and the elimination of the domestic production credit are expected to have a net estimated impact of an increase of 2,000,000 hours and an increase of \$64,000,000 of out-of-pocket costs.

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. Total statutory changes are expected decrease time burden by 200,000,000 and are expected to decrease out-of-pocket costs by \$2,138,000,000.

IRS Discretionary Changes – The largest discretionary change in place for tax year 2018 is the redesign of the Form 1040 and discontinuance of Forms 1040, 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 are expected to decrease time burden by 1,000,000 and decrease out-of-pocket costs by \$5,000,000.

Form: Form 1040 and Schedules 1, 2, 3, 4, 5, 6 and associated forms and schedules.

Affected Public: Individuals and households.

Estimated Number of Respondents: 157,800,000.

Frequency of Response: Annually, On Occasion.

Estimated Total Number of Annual Responses: 157,800,000.

Estimated Time per Response: 11.31 hours.

Estimated Total Annual Burden Hours: 1.784 billion (1,784,000,000).

Total Estimated Out-of-Pocket Costs: \$31.764 billion (\$31,764,000,000).

Estimated Out-of-Pocket Cost per Respondent: \$201.

Total Estimated Monetized Burden: \$60.225 billion (\$60,225,000,000).

Estimated Monetized Burden per Respondent: \$381.

***Authority:** 44 U.S.C. 3501 et seq.*

Dated: October 5, 2018.

Spencer W. Clark,

Treasury PRA Clearance Officer.

[FR Doc. 2018-22180 Filed: 10/10/2018 8:45 am; Publication Date: 10/11/2018]