

**SUPPORTING STATEMENT
(Form 1041-QFT)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

26 USC 671 provides that when the grantor or another person is treated as the owner of any portion of a trust (grantor trusts), then the income, deductions, and credits from that portion of the trust shall be included in figuring the income and credits of the grantor or other person treated as owing that portion of the trust. 26 USC 685 provides that in the case of qualified funeral trusts that would otherwise be treated as grantor trusts, the trustee can elect to have the trust not treated as a grantor trust and to pay the tax on the income earned by the trust. 26 USC 685(f) provides that the Secretary may prescribe rules for simplified reporting of all trusts having a single trustee.

2. USE OF DATA

Form 1041-QFT is used by IRS to verify that the income tax reported is correct.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Low filing volume does not justify the cost of electronic enabling for Form 1041-QFT.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

We have been unable to reduce burden for small businesses.

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

Not applicable.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Form 1041-QFT.

In response to the Federal Register Notice dated June 19, 2006 (71 F.R. 35338), we received no comment period regarding F04m 1041-QFT.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

<u>Form</u>	<u>No.of</u>	<u>Time per Responses Total hours</u>	<u>Response</u>
1041-QFT	15,000	18.01	270,150

Estimates of the annualized cost to respondents for the hour burdens shown above are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register Notice** dated **June 19, 2006**, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs

of operation, maintenance, and purchase of services to provide information. However, we did not receive any responses from taxpayers on this subject. As a result, estimates of these cost burdens are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The primary cost to the government consists of the cost of printing Form 1041-QFT. We estimate that the cost of printing the form is \$200.

15. REASONS FOR CHANGE IN BURDEN

The year was changed throughout the form as necessary.

New line 2b is added for qualified dividends, which are taxed as net capital gain. This change is necessary to implement section 302 of the Jobs and Growth Tax Relief Reconciliation Act of 2003.

We changed line 2 to 2a to accommodate new line 2b.

For line 13, we deleted 2 boxes that are not necessary and made editorial changes for the remaining checkbox.

4 new code references are added to the instructions regarding line 2b.

On page 2 of the instructions, Contribution Limit, we reflect the amount of contracts entered into during 2003. See Rev. Proc. 2002-70, sec. 3.21, 2002-46 IRB 845.

Composite Return - The second bulleted item will be revised. We will add only (f) which will state "net capital gain from post-May 5, 2003 transactions (excluding (c) and (e))." This item reflects section 3.01(c) of the Jobs and Growth Tax Relief Reconciliation Act of 2003.

On page 3, Rounding Off to Whole Dollars, editorial change reflects branch memo to conform this section to the similar write-up in the Instructions for Form 1040.

Page 4, line 2b - Qualified Dividends. We will keep the first sentence and refer readers to the Instructions for Form 1041 for more information. Space limitations are the main consideration here. Also, the Instructions for Form 1041

will include the information here and the holding period limitations that were not discussed here. Information here reflects act section 302 of the Jobs and Growth Tax Relief Act of 2003.

Line 13 - Tax. We updated the Tax Rate Schedule to reflect Rev. Proc. 2002-70, section 3.01, 2002-46 IRB 845 and act section 105 of the Jobs and Growth Tax Relief Reconciliation Act of 2003.

Schedule D. We revised this section to reflect the changes to Sch. D (Form 1041) that reflects act section 301 and 302 of the Jobs Growth Tax Relief Reconciliation Act of 2003.

Composite Return - Editorial changes reflect the changes to line 13 of the form.

These changes will result in a program change increase of 15,750 hours due to the addition of 1 line item and 4 code references. We are making this submission for renewal purposes.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attachment.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable.

Note: The following paragraph applies to all of the collections of information in this submission:

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.