

**SUPPORTING STATEMENT
(Form 706-GS(T))**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

IRC section 2601 imposes a tax on certain generation-skipping transfers. IRC sections 2602-2663 establish complex rules for computing the tax. Form 706-GS(T) is used to compute and report the tax due on generation-skipping transfers that result from the termination of interests in a trust. The return will be filed by the trustee of the trust with respect to which the termination has occurred. The trustee is also liable for paying the tax.

The trustee will file only one Form 706-GS(T) per year for any given trust, regardless of the number of taxable terminations that occur. (A termination is not necessarily the termination of the entire trust, but can be the termination of a single beneficiary's interest in the trust.) The trustee will not file the return if no taxable terminations occur during the year.

Most trusts will file only one Schedule A per year, though the more complex trusts with multiple contributions and multiple beneficiaries will often file more than one. Terminations that have different "inclusion ratios" (a figure used to determine the taxable portion of a termination) must file a separate Schedule A for each different inclusion ratio. At most, one Schedule B will be filed for each Schedule A.

2. USE OF DATA

IRS will use the information on Form 706-GS(T) to enforce the GST tax provisions of the Internal Revenue Code, i.e., to verify that the taxes have been properly computed. IRS also will use the information on Form 706-GS(T) to prepare a quadrennial Statistics of Income report to the public.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans at this time to offer electronic filing because of the low volume compared to the cost of electronic enabling.

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

Not applicable.

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 706-GS(T).

In response to the **Federal Register** Notice dated August 21, 2006, we received no comments during the comment period regarding Form 706-GS(T).

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

The burden estimate is as follows:

Form	Total	Number of <u>Responses</u>	Time per <u>Response</u>	<u>Hours</u>
Form 706-GS(T)		100		2.08
208 Schedule A		200		1.42
284 Schedule B		<u>200</u>		1.42
<u>210</u> Total		500		684

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

The following regulation imposes no additional burden. Please continue to assign OMB number 1545-1145 to this regulation.

26.2662-1(b)

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** notice dated August 21, 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 response from taxpayers on this subject. As a result, estimates of the 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 706-GS(T). We estimate that the cost of printing the form is \$300.00.

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.

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.

