

SUPPORTING STATEMENT Form 706-A

508. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

IRC section 2032A allows a substantial reduction in valuation for farm and closely held business real property included in the gross estate. This reduction in valuation results in a reduction of the estate and generation-skipping transfer (GST) taxes.

In order to qualify for this treatment, the estate must elect it and the property must pass to qualified heirs who must use it for farm or closely held business uses for 10 years following the decedent's death.

If the qualified heir disposes of the property or ceases to use it in a qualified use within the 10 year period, all or part of the tax savings must then be paid to the government. This is referred to on Form 706-A as the "additional estate tax."

Form 706-A is used by the qualified heir to compute and pay the additional estate tax imposed by section 2032A.

Form 706-A is also used to elect the basis treatment of Code section 1016(c)(1).

509. USE OF DATA

IRS uses Form 706-A to verify that the additional estate tax has been correctly computed.

510. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Form 706-A cannot be filed electronically, since its relatively low volume does not justify the cost electronic enabling.

511. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency

wherever possible.

512. 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-A. In addition, we receive comments from other interested outside groups and from individuals.

In response to the **Federal Register** notice dated October 2, 2006 (71 FR 58054), we received no comments during the comment period regarding Form 706-A.

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:

| <u>Number of</u> | <u>Time per</u> | |
|------------------|-------------------|--------------|
| | <u>Responses</u> | <u>Total</u> |
| <u>hours</u> | <u>Response</u> | |
| | Form 706-A | 180 |
| | 7.96 | |
| | 1,433 | |

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

The following regulation impose no additional burden. Please continue to assign OMB number 1545-0016 to this regulation:

5C.0 (f) & (g)

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** notice dated October 2, 2006 (71 FR 58054), 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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution and overhead for Form

706-A is \$8,000.

15. REASONS FOR CHANGE IN BURDEN

This new computed burden estimate is for individual filers only. We added two line items on this form which identifies the election as the election under section 1016(c) of the Code and specifies the property with respect to which election is made. This decreased the total estimated burden hours to 1,433 as shown above.

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.