

SUPPORTING STATEMENT
[REG-106177-98] (T.D. 8845)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Regulation §301.6501(c)-1(f) amends the Procedure and Administration Regulations to conform to the Taxpayer Relief Act of 1997 and the Internal Revenue Service Restructuring and Reform Act of 1998 regarding the period of limitations for assessing and collecting gift tax. It lists the information that must be provided by the donor in order to satisfy the adequate disclosure requirement under §6501(c) (9), which provides that, in order to commence the running of the statute of limitations for gift tax purposes, the gift must be disclosed on the return in such a manner as to adequately apprise the Service of the nature of the transaction.

Regulation §§20.2001-1 and 25.2504-2 of the Estate Tax Regulations and Gift Tax Regulations, respectively, have also been revised to conform to the 1997 and 1998 Acts. Both sections apply to adjustments involving issues of valuation of prior taxable gifts for purposes of computing the gift tax on the current gift or, as the case may be, the estate tax in the decedent's estate. Upon commencement of the running of the gift tax statute under 6501(c) (9), the value of the gift for purposes of the adjustment provisions under §§2001(f)(1) and 2504(c) will be the value as finally determined under §2001(f)(2). Section 2001(f)(2) defines the term "finally determined" as: 1) the value of the gift as included on the return by the taxpayer to which the IRS does not contest within the statutory period; 2) the value of the gift determined by the IRS to which the taxpayer does not contest within the statutory period; and 3) the value of the gift as determined in a court order by an appropriate court or in a settlement agreement between the taxpayer and the IRS.

2. USE OF DATA

IRS Publications, Regulations, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

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

In response to the **Federal Register notice dated October 6, 2010, (75 FR 61839)**, we received no comments during the comment period regarding REG-106177-98.

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 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not Applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Section 301.6501(c)-1(f) requires that, in order to commence the running of the gift tax statute of limitations, the donor must file a Form 709, and submit sufficient information about the transaction that will give the Service a complete and accurate description of the transfer. Such information includes a description of the transferred property, the identity and relationship of the parties to the transfer and any entities involved, a description of the methods used to value the transferred property, a description of any restrictions on the transferred property, and a statement of any potential controversy or legal issue involved. The burden of complying with this requirement is reflected in the burden of Form 709.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register notice dated October 6, 2010, (75 FR 61839)**, 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

Not Applicable.

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

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

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

Not Applicable.

Note: The following paragraph applies to all of the collection 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.