

SUPPORTING STATEMENT  
1545-1465  
TD 8668-(Final)  
Environmental Settlement Funds - Classification

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 301.7701-4(e)(2) of the regulations cross references the rule in §1.671-4(a) which provides that items of income, deduction, and credit attributable to any portion of a trust which are treated as owned by the grantor should not be reported by the trust on Form 1041, but should be shown on a separate statement to be attached to that form.

Section

301.7701-4(e)(2) further provides that the trustee must also furnish to each grantor a statement that shows all items of income, deduction, and credit of the trust for the taxable year attributable to the portion of the trust treated as owned by the grantor. The statement must provide the grantor with the information necessary to take the items into account in computing the grantor's taxable income including information necessary to properly take into account an item under the economic performance rules of section 461(h) and the regulations thereunder.

2. USE OF DATA

In order for the Internal Revenue Service to ensure that the grantors of environmental remediation trusts are properly taking into account items of income and deduction that they are treated as owning for federal tax purposes, it is necessary that this information be submitted. The information will then be used by the Internal Revenue Service in the event of an audit to determine if the taxpayer is complying with the law.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

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.

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 the burden on 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

A notice of proposed rulemaking was published in the *Federal Register* on August 4, 1995 (60 FR 39903). A public hearing was held on October 26, 1995. The final regulations were published in the *Federal Register* on May 1, 1996 (61 FR 19189).

We received no comments during the comment period in response to the Federal Register notice (79 FR 13740), dated March 11, 2014.

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

No personally identifiable information (PII) is collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collection of information is required by §301.7701-4(e)(2). Trustees must show items of income, deduction, and credit attributable to an environmental remediation trust on a separate statement attached to Form 1041. We estimate that 500 environmental remediation trusts will be affected by this provision and that it will take an average of 4 hours to submit the required information. The total burden of this reporting requirement is 2,000 hours.

The third-party disclosure requirement that the trustee of an environmental remediation trust must also furnish to each grantor a statement that shows all items of income, deduction, and credit of the trust for the taxable year attributable to the portion of the trust treated as owned by the grantor, is cleared under OMB control number 1545-1466, "Third-Party Disclosure Requirements in the IRS Regulations." (see §1.671-4)

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

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice (79 FR 13740), dated March 11, 2014, 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. REASON 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

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.