

SUPPORTING STATEMENT
TD 8791 (Final REG-209823-96)
Guidance Regarding Charitable Remainder Trusts and Special Valuation Rules for Transfers of
Interests In Trusts
1545-1536

7024. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

A charitable remainder trust provides for a specified periodic distribution to one or more beneficiaries for life or for a term of years with an irrevocable remainder interest held for the benefit of charity. A contribution to a charitable remainder trust generally qualifies for a charitable deduction. Under the legislative history to the charitable remainder trust provisions, a taxpayer can claim a charitable deduction for a contribution of assets that do not have an objective, ascertainable value only if an independent trustee values such assets. H.R. Rep. No. 413, 91st Cong., 1st Sess.60 (1969), 1969-3 C.B. 200, 239. For certain types of charitable remainder trusts, an independent trustee would have to make the valuation each year the trust holds difficult-to-value assets. Some taxpayers have complained that using an independent trustee is costly and often impractical. Therefore, to provide an alternative method, the regulations allow a taxpayer to use a current qualified appraisal (as defined in §1.170A-13(c)(3)) from a qualified appraiser (as defined in §1.170A-13(c)(5)) for valuing a trust's difficult-to-value assets.

7025. USE OF DATA

The recordkeeping requirement enables the Internal Revenue Service to determine if a taxpayer properly claimed a charitable deduction for a contribution to a charitable remainder trust.

7026. 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.

7027. EFFORTS TO IDENTIFY DUPLICATION

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

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

There are no small entities affected by this collection.

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

A contribution to a charitable remainder trust generally qualifies for a charitable

deduction. An alternative method is provided in the regulations to allow a taxpayer to use a current qualified appraisal (as defined in §1.170A-13(c)(3)) from a qualified appraiser (as defined in §1.170A-13(c)(5)) for valuing a trust's difficult-to-value assets.

By collecting the information and doing so timely, the agency can determine if a taxpayer properly claimed a charitable deduction for a contribution to a charitable remainder trust using the alternative method and timely notify the taxpayer of any discrepancies, as outlined in the taxpayer bill of rights.

If the agency fails to assess and notify taxpayers timely, and/or if the taxpayer does not agree with the assessment, taxpayer may request a hearing before an independent IRS Appeals/Settlement Officer. If the taxpayer disagrees with the Appeals' determination, then the case may go to Tax Court (IRC § 6330) which could become costly to IRS and taxpayers. Therefore, collection is necessary to ensure the code is being followed and timely collection is necessary to reduce the chance of unnecessary expenses and time spent in tax court, and the risk of not adhering to taxpayer bill of rights.

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

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

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

The notice of proposed rulemaking was published in the **Federal Register** on April 18, 1997 (62 FR 19072). Comments were received, and a public hearing was held on November 18, 1997. Treasury adopted the proposed regulations as revised. The final regulations became effective on December 10, 1998.

We received no comments during the comment period in response to the Federal Register Notice (80 FR 37050) dated June 29, 2015.

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

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and 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

Regulation section 1.664-1(a)(7) provides that either an independent trustee or a qualified appraiser using a qualified appraisal must value a charitable remainder trust's assets that do not have an objective, ascertainable value. The trust must retain the valuation. For certain charitable remainder trusts, the valuation of the trust's assets is an annual requirement. Therefore, if such trusts hold difficult-to-value assets and do not have an independent trustee value for those assets, the trust must retain a qualified appraisal from a qualified appraiser for valuing the assets. We estimate that approximately 150 charitable remainder trusts each year will take advantage of this alternative method for valuing the trust's difficult-to-value assets. We estimate that it will take approximately .5 hour to comply with the recordkeeping requirement. The total burden for this recordkeeping requirement is 75 hours.

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

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There are no start-up costs associated with this collection.

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

There are no plans for tabulation, statistical analysis and publication.

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

There are no exceptions to the certification statement.

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.