

SUPPORTING STATEMENT  
(IRS Form 706-GS(D-1))

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(D-1) is used by trustees to provide information to the IRS and to distributees regarding generation-skipping distributions from trusts. The form is an information return only. Trustees report on a single form 706-GS(D-1) all distributions from a single trust to a particular distributee in any given year. The trustee will not have to file Form 706-GS(D-1) if there are no generation-skipping distributions from a trust during the year.

This form is necessary because the trustee is the only party connected with the distribution who has access to the information needed to compute the "inclusion ratio," and the inclusion ratio is needed to compute the tax on the distribution. Also, the trustee has information needed to figure the value of the property distributed.

2. USE OF DATA

IRS will use the information on Form 706-GS(D-1) 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(D-1) to prepare a quadrennial Statistics of Income report to the public.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Low filing volume does not justify 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

We have attempted to minimize burden on small businesses whenever possible.

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

This form is necessary because the trustee is the only party connected with the distribution who has access to the information needed to compute the "inclusion ratio," and the inclusion ratio is needed to compute the tax on the distribution. A less frequent collection will prevent accurate computation of the amount of taxes owed.

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 inconsistency.

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(D-1).

In response to the Federal Register notice (81 FR 14937), dated March 18, 2016, we received one comment during the comment period regarding Form 706-GS(D-1).

The Texas State Bar

Among other items The state Bar suggests moving the filing date for Form 706-GS(D-1) forward 30 days to March 15 of the year following the distribution subject to the generation-skipping rules for ease of notice, filing Form 706-GS(D), and payment of any tax due.

IRS's Response

The information provided on Form 706-GS(D-1) puts both the distributee and the IRS on notice that a transfer was made but that Form 706-GS(D) is not required to be filed. Also, in light of the new consistency of basis rules, Form 706-GS(D-1) could serve as a record of the reported transfer if the transfer gives rise to basis implications

For the foregoing reasons, Estate & Gift Tax Policy is not in support of the suggested changes raised by the State Bar of Texas, Tax Section.

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

No gifts or payments are provided to respondents.

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 being collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden estimate is as follows:

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 706-GS(D-1)	80,000	4.36	348,800

The following regulation imposes no additional burden. Please continue to assign OMB number 1545-1143 to this regulation.

26.2662-1(b)

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There is no estimated cost burden to respondents.

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-GS(D-1) is \$5,119.

15. REASONS FOR CHANGE IN BURDEN

There are no changes being made to the Form 706-GS(D-1) at this time. 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 would cause confusion by leading taxpayers to believe that the revenue procedure and revenue ruling sunset as of the expiration date. Taxpayers may not be aware that the Service may request renewal of the OMB approval and obtain a new expiration before the old one expires.

18. 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.

## **OMB EXPIRATION DATE**

We believe the public interest will be better served by not printing an expiration date on the form(s) in this package.

Printing the expiration date on the form will result in increased costs because of the need to replace inventories that become obsolete by passage of the expiration date each time OMB approval is renewed. Without printing the expiration date, supplies of the form could continue to be used.

The time period during which the current edition of the form(s) in this package will continue to be usable cannot be predicted. It could easily span several cycles of review and OMB clearance renewal. In addition, usage fluctuates unpredictably. This makes it necessary to maintain a substantial inventory of forms in the supply line at all times. This includes supplies owned by both the Government and the public. Reprinting of the form cannot be reliably scheduled to coincide with an OMB approval expiration date. This form may be privately printed by users at their own expense. Some businesses print complex and expensive marginally punched continuous versions, their expense, for use in their computers. The form may be printed by commercial printers and stocked for sale. In such cases, printing the expiration date on the form could result in extra costs to the users.

Not printing the expiration date on the form(s) will also avoid confusion among taxpayers who may have identical forms with different expiration dates in their possession.

For the above reasons we request authorization to omit printing the expiration date on the form(s) in this package.