

SUPPORTING STATEMENT
Internal Revenue Service
(IRS Form 706-GS(D-1))
OMB # 1545-1143

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.

1. 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

The IRS does have any plans to offer electronic filing for this collection at this time due to the number of filers of this product. Due to the low volume of filers a calculation to determine the cost of enabling electronic filing has not been executed.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

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

No small entities will be affected because IRC sections 2602 2663 only impacts collection from individual taxpayers and trusts.

2. 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.

3. 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

In response to the Federal Register notice (84 FR 6196), dated February 26, 2019, we received no comments during the comment period regarding Form 706-GS(D-1).

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

No gifts or payments are provided to respondents.

2. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

3. JUSTIFICATION OF SENSITIVE QUESTIONS

There is no sensitive personally identifiable information (PII) in this collection.

4. ESTIMATED BURDEN OF INFORMATION COLLECTION

Approximately 80,000 respondents will report the information on Form 706-GS(D-1) to report the GST tax provisions taking about 4 hours and 22 minutes per response for a total annual burden of 348,800 hours.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
§2601	Form 706-GS (D-1)	80,000	1	80,000	4.36	348,800
Totals						

The following regulation imposes no additional burden. Please continue to assign OMB number

1545-1143 to this regulation.

26.2662-1(b)

5. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The Federal government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized start up expenses, operating and maintenance expenses, and distribution of the product that collects the information.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables such as; complexity, number of pages, type of product and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries and other outlets. The result is the Government cost estimate per product.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>	<u>Printing and Distribution</u>	<u>Government Cost Estimate per Product</u>
Form 706-GS(D-1)	11,847		11,847
Form Instructions 706-GS(D-1)	2,734		2,734
Grand Total	14,581		14,581
Table costs are based on 2018 actuals obtained from IRS Chief Financial Office and Media and Publications			
* New product costs will be included in the next collection update.			

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

IRS believes 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.