

SUPPORTING STATEMENT
Internal Revenue Service
TD 9348, Qualified Severance of a Trust for Generation-Skipping Transfer (GST) Tax Purposes

OMB Control Number 1545-1902

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) section 2642(a)(3) provides that if a trust is severed in a qualified severance into two or more trusts, the trusts resulting from the severance will be treated as separate trusts for generation-skipping transfer (GST) tax purposes. The section also outlines the definitions and requirements of a qualified severance.

TD 9348 contains final regulations providing guidance regarding the qualified severance of a trust for GST tax purposes under IRC section 2642(a)(3). The regulations will affect trusts that are subject to the GST tax.

TD 9421 amends TD 9348 and contains final regulations providing guidance regarding the GST tax consequences of the severance of a trust in a manner that is effective under state law, but that does not meet the requirements of a qualified severance under IRC section 2642(a)(3). These final regulations also provide guidance regarding the GST tax consequences of a qualified severance of a trust with an inclusion ratio between zero and one into more than two resulting trusts. These final regulations also provide special funding rules applicable to the non-pro rata division of certain assets between or among resulting trusts. The regulations will affect trusts that are subject to the GST tax.

Treasury Regulations section 26.2642-6, *Qualified severance*, provides guidance regarding the qualified severance of a trust for generation skipping transfer (GST) tax purposes under IRC section 2642(a)(3). This regulation requires taxpayers to report a qualified severance by filing a Form 706-GS(T), Generation-Skipping Transfer Tax Return for Terminations, or such other form that may be published by the Internal Revenue Service in the future that is specifically designated to be utilized to report qualified severances. The IRS requests the filer to attach a Notice of Qualified Severance providing specific information regarding the original trust and each new trust.

Treasury Regulations section 26.2654-1(b)(2) requires the executor of a trust to attach a statement and supporting documentation indicating that a proceeding has commenced to sever the trust if a court order severing the trust has not been issued at the time the tax return is filed.

2. USE OF DATA

This information is used by the IRS to identify when a trust is exempt from the GST tax and to ensure the trust's tax liability is correctly calculated.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

There is no plan to offer electronic filing for this collection due to the low volume of filers.

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.

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

There is minimal to no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity.

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

The information is requested by the IRS to identify whether resulting trusts created by a severance are exempt from the GST tax. The consequences of less frequent collection are that GST tax provisions will not be followed as prescribed. Tax compliance is a vital part of the government's ability to meet its mission and serve the public.

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

We received no comments during the comment period in response to the Federal Register notice (86 FR 49094), dated September 1, 2021.

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

There are no special circumstances requiring payment or gift to any respondents.

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

No personally Identifiable Information (PII) is being collected through the regulations. Any collection of PII is addressed under OMB control number 1545-1145 for the Form 706-GS(T).

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collections of information in these final regulations are in IRC sections 26.2642-6(e) and

26.2654-1(b)(2). This information is requested by the IRS to identify whether resulting trusts created by a severance are exempt from the GST tax. The IRS estimates that there will be approximately 650 respondents annually with an estimated average response time of 2 hours and 8 minutes per respondent. The total burden for these requirements is estimated to be 1,352 hours.

The estimated taxpayer burden for filing Form 706-GS(T) is captured under OMB control number 1545-1145.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC 2642(a)(3)	Notice and attachment to Form 706-GS(T)	650	1	650	2.13	1,352
Totals		650		650		1,352

Please continue to assign OMB control number 1545-1902 to these regulations.

1.1001-1 26.2642-6 26.2654-1

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

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

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

After consultation with various functions within the IRS, we have determined that the cost of developing, printing, processing, distribution and overhead for the regulation is nominal.

15. REASONS FOR CHANGE IN BURDEN

There are no changes being made to the burden previously approved. This submission is being made for renewal purposes.

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

The 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 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 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 if 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.