

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Tax on Accumulation Distribution of Trusts (Form 4970)
OMB Control Number **1545-0192**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code section 667 requires a tax to be paid by a beneficiary of a domestic or foreign trust on accumulation distributions.

Form 4970, *Tax on Accumulation Distribution of Trusts*, reflects the computation of tax from section 667(b) and the interest charge on foreign trusts under section 668.

There are no substantive changes being made to this form or burden previously approved. IRS is making this submission for renewal purposes.

2. USE OF DATA

Form 4970 provides IRS with information to verify that the beneficiary's part of the distribution from the trust that is considered distributed in earlier tax years is reported in income, and that the correct tax on this income is paid by the beneficiary. The Internal Revenue Service uses the information to ensure proper income reporting.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Form 4970 is enabled for electronic filing.

4. EFFORTS TO IDENTIFY DUPLICATION

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

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

There is no burden on small businesses or other small entities 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

Form 4970, *Tax on Accumulation Distribution of Trusts*, reflects the computation of tax from section 667(b) and the interest charge on foreign trusts under section 668. Less frequent collection would not allow IRS to verify that the beneficiary's part of the distribution from the trust that is considered distributed in earlier tax years is

reported in income, and that the correct tax on this income is paid by the beneficiary.

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

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 on Form 4970.

A Federal Register Notice (87 FR 17137) was published regarding the burden related to this form on March 25, 2022, inviting public comments. No comments were received.

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 tax return information are confidential as required by 26 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the "Information Returns Master File (IRMF)" system and Privacy Act System of Records notices (SORN) has been issued for these systems under Treas./IRS 24.030–Customer Account Data Engine Individual Master File; and Treas./IRS 34.037–IRS Audit Trail and Security Records System. The Internal Revenue Service PIAs can be found at: <https://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make

such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Form 4970 is used by a beneficiary of certain domestic trusts to figure the partial tax on accumulation distributions under section 667. It is anticipated that there will be 30,000 respondents that respond once with a response time of 1 hour, .25 minutes totaling 42,900 burden hours.

The burden estimate is as follows:

Form	Description	# Respondents	# Responses Per Respondent- Approximate	Total Annual Responses	Hours Per Response	Total Burden
4970	Tax on Accumulation Distribution of Trusts	30,000	1	30,000	1.43	42,900
TOTAL		30,000		30,000		42,900

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The IRS currently estimates the cost burden on respondents to be nominal.

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 startup 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.

The government cost estimate for this collection is summarized in the table below.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>	<u>Printing and Distribution</u>	<u>Government Cost Estimate per Product</u>
Form 4970	\$ 68,486	0	\$ 68,486

15. REASONS FOR CHANGE IN BURDEN

There are no substantive changes being made to this form at this time. IRS is making this submission for renewal purposes. The annual changes to the form are to update the filing year and the taxable income years. These changes are considered de minimis and do not require OMB approval.

	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	30,000	0	0	0	0	30,000
Annual Time Burden (Hr)	42,900	0	0	0	0	42,900

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 regulations 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 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.