

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Form 5227
Split-Interest Trust Information Return
OMB Control No. 1545-0196

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

IRC Section 6012 requires every trust having gross income of \$600 or more, regardless of the amount of taxable income for the tax year, to file an income tax return.

Section 4947(a)(2) provides that split-interest trusts (i.e. trusts that are not exempt from tax and have an unexpired interest to be distributed to a charitable organization) be treated as if they were a private foundation and therefore subject to certain excise taxes under Chapter 42.

Income Tax Regulations section 53.6011-1(e) requires every trust described in section 4947(a)(2) that is subject to any of the provisions of Chapter 42, as if it were a private foundation, to file an annual return on Form 5227.

Section 664 establishes criteria for charitable remainder trusts to be exempt from tax, and the character of the distributions in the hands of the beneficiary.

Section 645 requires all trusts, other than one that is exempt from tax under section 501(a) or a trust described in section 4947(a)(1), to have the calendar year as a tax year.

Section 642 requires trusts with pooled income fund under IRC 642(c) created and maintained by a charitable organization, that donors to the funds receive a lifetime income interest and the charitable organization receives the remainder interest.

2. USE OF DATA

The IRS uses Form 5227 to verify that the beneficiaries of a split-interest trust include the correct amount and type of income in their tax returns. Form 5227 is also used to verify whether the trust owes any unrelated business income tax or private foundation excise taxes.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 5227 is currently available.

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 under section 4947(a)(2) to this type of entity.

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

If less frequent collect on Federal programs and policy activities , the IRS would not be able to verify the financial activities of a split-interest trust, provide the correct information regarding charitable deductions and distributions of a split-interest trust. Also, determine if the trust is treated as a private foundation and subject to certain excise taxes.

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

In response to the *Federal Register* notice dated January 23, 2023 (88 FR 4077), we received no comments during the comment period regarding Form 5227.

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 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Business Master File (BMF)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.046-Business Master File and IRS 34.037-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

IRC Section 6012 requires every trust having gross income of \$600 or more, regardless of the amount of taxable income for the tax year, to file an income tax return. A split-interest trust is not exempt from tax under section 501(a).

Income Tax Regulations section 53.6011-1(e) requires every trust described in section 4947(a)(2) that is subject to any of the provisions of Chapter 42, as if it were a private foundation, to file an annual return on Form 5227.

The burden estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC 6012 / IRC 4947(a) (2)	Form 5227	94,900	1	94,900	87.56	8,309,444
“ “	Capital Gains (Wks.)	5,000	1	5,000	17.26	86,300
“ “	Distribution (Wks.)	100,000	1	100,000	6.81	681,000
Totals		199,900		199,900	45.40	9,076,744

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0196 to these regulations:

- 1.644-1
- 1.664-2(d)
- 25.2522(a)-1
- 53.4940-1(a)

1.664-3(b)	53.6011-1(a) and (b)
1.664-4(a)(3) and (4)	53.4947-1 and 2
25.2522(c)-3(c)(2)(vi)	53.6011-1
25.2522(c)-3(d)(4)	53.6011-1(e)
25.2522(a)-1(d)	53.4947-1(c)(4)

13. 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 estimated annualized cost to the Federal Government is based on a model that considers the following three 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 Federal Government estimated annualized cost per product.

The federal government estimated annualized cost is as follows:

Product	Aggregate Cost per Product (factor applied)		Printing and Distribution		Government Cost Estimate per Product
Form 5227	85,572	+	0	=	85,572
Instructions 5227	50,336	+	0	=	50,336
Grand Total	135,908	+	0	=	135,908
Table costs are based on 2021 actuals obtained from IRS Chief Financial Office and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

The is no change in the 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 form 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 this 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.