

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Form 706-GS(D-1), Notification of Distribution from a Generation-Skipping Trust

OMB Control Number 1545-1143

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) section 2601 imposes a tax on certain generation-skipping transfers. IRC section 2662 and Treasury Regulations section 26.2662-1 require a trust making a taxable distribution to file an information return (Form 706-GS(D-1)) with the IRS and send a copy to the distributee.

A trustee uses Form 706-GS(D-1) to report certain distributions from a trust that are subject to the generation-skipping transfer (GST) tax and to provide the skip person distributee with information needed to figure the tax due on the distribution.

2. USE OF DATA

The skip person distributee uses the information to figure any GST tax due on the distribution. The IRS uses the information to verify that the tax has been properly computed.

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 no burden on small businesses or entities by this collection due to the inapplicability of IRC sections 2662 to this type of entity.

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

Consequences of less frequent collection on federal programs or policy activities would consist of decreased amount of taxes collected by the IRS, inaccurate and untimely filing of tax returns, and an increase in tax violations.

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 May 8, 2023, (88 FR 29803), the IRS received public comments from the American Institute of CPAs (AICPA). The full comments will be included within the submission to the Office of Management and Budget (OMB). The summary of the comments and the IRS responses are below:

AICPA Comments dated June 12, 2023

Comment Number	Summary of public comment	IRS response
1.	Provide an extension of time to file Form 706-GS(D-1) and include clarity in this in the Form 706-GS(D-1) instructions and add a line to the Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, to include Form 706-GS(D-1).	We hope to provide more information regarding this suggestion, after consulting with internal and external stakeholders.
2.	Provide clarity on when a taxable distribution occurs, including whether the taxable distribution occurs either (1) when the beneficiary is entitled to the distribution, or (2) when the beneficiary receives the distribution.	There is an ambiguity in the law regarding when a taxable distribution occurs. The ambiguity can only be addressed by a legislative change, not by updating the form or instructions.
3.	Provide clarity on how to properly describe and provide "enough detail that the IRS can value it" for certain types of property other than real estate, stocks and bonds and other personal property on Form 706-GS(D-1), Part II, Column 3b, including examples, such as for closely held entities, life insurance policies, art, collectibles, and digital assets.	The instructions as written were meant to be broad in order to address all property that could possibly be distributed to a skip person, beyond more common items of property that are already identified in detail. There is no possibility that the instructions can contemplate a specific valuation method for every possible type of property.
4.	Provide clarity and instructions (similar to what is provided in the	We note that the valuation methods for valuing noncash distributions for Form 706-

	instructions for Forms 709 and 706) regarding proper valuation methods for noncash distributions when reporting the value on Form 706-GS(D-1), Part II, Column 3e.	GS(D-1) should be similar to the valuation methods employed for Forms 709 and 706. We hope to provide more information regarding this suggestion, after consulting with internal and external stakeholders.
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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 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request, and a Privacy Act System of Records notice (SORN) has been issued for these systems under Treasury/IRS 24.030 - Customer Account Data Engine (CADE) Individual Master File; Treasury/IRS 24.046 - CADE Business Master File (BMF); Treasury/IRS 34.037 - Audit Trail and Security Records. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/privacy-disclosure/privacy-impact-assessments-pia>.

Title 26 U.S.C. 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 2662 and Treasury Regulations section 26.2662-1 require a trustee to disclose information using Form 706-GS(D-1). The IRS anticipates that there will be 13,000 responses annually, with a total estimated burden of 56,680 hours annually. The estimated burden is shown below:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden Hours
IRC 2662	Form 706-GS(D-1)	13,000	1	13,000	4.36	56,680
Totals		13,000		13,000		56,680

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

26.2662-1(b)

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

From our Federal Register notice, dated May 8, 2023, no public comments on the estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information were received. However, 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

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. These costs do not include any activities such as taxpayer assistance and enforcement.

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 706-GS(D-1)	\$21,812	+	\$0	=	\$21,812
Form 706-GS(D-1) Instructions	\$5,034	+	\$0	=	\$5,034
Grand Total	\$26,846	+	\$0	=	\$26,846
Table costs are based on 2022 actuals obtained from IRS Chief Financial Officer and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

There is no change in the burden per response previously approved by OMB. However, the number of responses was updated based on current filing data. This reduces the number of responses by 67,000 and the burden hours by 292,120 annually due to adjustment in agency estimates.

	Total Requested	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	13,000	0	0	-67,000	0	80,000
Annual Time Burden (Hr)	56,680	0	0	-292,120	0	348,800

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 form expires as of the expiration date. Taxpayers are not likely to be aware that the IRS 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.