**SUPPORTING STATEMENT**

Internal Revenue Service (IRS)

 Form 1041, U.S. Income Tax Return for Estates and Trusts

OMB Control Number 1545-0092

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) section 6012(b) requires certain fiduciaries and receivers to file a return of income. Form 1041, U.S. Income Tax Return for Estates and Trusts, is used by the fiduciary of a domestic decedent’s estate, trust, or bankruptcy estate to report:

* Income, deductions, gains, losses, etc. of the estate or trust.
* Income that is either accumulated or held for future distribution or distributed currently to the beneficiaries.
* Income tax liability of the estate or trust; and
* Employment tax on wages paid to household employees.

The following code sections impose additional burden:

26 USC 55(a) imposes an alternative minimum tax.

26 USC 59(c) requires estates and trusts to compute their alternative minimum taxable income by applying Part I of Subchapter J with the adjustments provided in Part IV of Subchapter A.

26 USC 641 imposes an income tax on the taxable income of the decedent's estate or trust that is not distributed during the tax year that it is received.

26 USC 652 requires the beneficiaries of a simple trust to include in their gross income the amount of the income required to be distributed currently.

26 USC 662 requires beneficiaries of estates and trusts to include in their income the sum of: (1) the income required to be distributed currently; and (2) all other amounts properly paid, credited, or required to be distributed.

26 USC 643(g) allows a trustee to make an election to treat any payment of estimated tax paid by the trust, or by an estate in the final year, as a payment made by the beneficiary.

26 USC 666 requires a beneficiary of a complex trust to include in income an accumulation distribution from the complex trust.

26 USC 671‑677 and 26 USC 679 treat grantors as owners of the trust when the grantor retains certain powers over the trust. The grantors are required to include in their income all or part of the income that otherwise would be taxable to the trust.

26 USC 6654(1) requires estates, with certain exceptions, and trusts to make estimated tax payments.

The following forms and worksheets were developed to assist taxpayers in the reporting of this information:

Schedule D (Form 1041) is used for reporting details of gain or loss from sales or exchanges of capital assets and to assist in the computation of alternative tax for certain cases in which Schedule D (Form 1041) was completed. This form is filed with Form 1041.

Schedule D Tax Worksheet, if applicable, is used to figure the estate's or trust's tax if the estate or trust files Schedule D (Form 1041) and has: A net capital gain and any taxable

income, or Qualified dividends on line 2b (2) of Form 1041 and any taxable income.

The Capital Loss Carryover Worksheet in the Schedule D (Form 1041) instructions is used to figure the amount of capital loss carryover to be allocated to the beneficiary if the estate or trust incurs capital losses in the final year. Upon termination of the trust or decedent's estate, the beneficiary succeeding to the property is allowed as a deduction any unused capital loss carryover under section 1212.

The 28% Rate Gain Worksheet in the Schedule D (Form 1041) instructions is used to figure the gain or loss from the sale of collectibles and the eligible gain from the sale of qualified small business stock, minus the section 1202 exclusion.

The Unrecaptured Section 1250 Gain Worksheet in the Schedule D (Form 1041) instructions is used to figure unrecaptured section 1250 gain. Generally, this is any part of the estate’s or trust’s capital gain from selling section 1250 property that is due to depreciation, reduced by any net loss in the 28% group.

Schedule G (Form 1041), Tax Computation, is used to figure the tax using the Tax Rate Schedule in the instructions.

The Qualified Dividends Tax Worksheet is used if the taxpayer does not have to complete Part I or Part II of Schedule D and the estate or trust has an amount entered on line 2b(2) of Form 1041 and any taxable income.

Schedule I (Form 1041) is used to compute the Distributable Net Income (DNI) and Income Distribution Deduction on a minimum tax basis.

Schedule J (Form 1041) is used to report an accumulation distribution for a domestic complex trust that was: (1) previously treated at any time as a foreign trust (unless an exception is provided in future regulations); or (2) created before March 1, 1984, unless that trust would not be aggregated with other trusts under the rules of IRC section 643(f) if that section applied to the trust.

Schedule K-1 (Form 1041) is used to report the beneficiary’s share of income, deductions, and credits from a trust or a decedent’s estate. A copy of each beneficiary's Schedule K-1 is attached to the Form 1041 filed with the IRS, and each beneficiary is given a copy of his or her respective Schedule K-1. One copy of each Schedule K-1 must be retained for the fiduciary's records.

Form 1041-V is a statement used to send a check or money order for any balance due.

1. USE OF DATA

Form 1041, Schedule A (Form 1041), Schedule B (Form 1041), Schedule D (Form 1041), and Schedule G (Form 1041) are used by the IRS to verify that the income tax reported is correct. Schedule I (Form 1041) is used by the IRS to verify the correctness of adjustments and items of tax preference in computing the fiduciary's alternative minimum tax and the amount of distributable net income computed on a minimum tax basis that is distributed to the beneficiaries. Schedule J (Form 1041) and Schedule K‑1 (Form 1041) are used by the IRS to verify that the beneficiaries included the correct amounts on their returns. Form 1041-V allows the IRS to process the payment more accurately and efficiently.

1. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 1041 and associated schedules is currently available.

1. EFFORTS TO IDENTIFY DUPLICATION

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

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

There is no flexibility to reduce burden on small businesses or other small entities because the statutes apply to small businesses and small entities. Small business should not be disadvantaged as the form has been structed to request the least amount of information and still satisfy the requirements of the statute and the needs of the IRS.

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

Form 1041 and related schedules are used by IRS to verify that the income tax reported is correct. Consequences of less frequent collection on federal programs or policy activities could consist of a decrease in the amount of taxes collected by the IRS, inaccurate and untimely filing of tax returns, an increase in tax violations, and the inability of the IRS to meet its mission.

1. 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).

1. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

The IRS received no comments during the public comment period in response to the Federal Register notice (88 FR 34565), dated May 30, 2023.

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

No payment or gift has been provided to any respondents.

1. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 U.S.C. 6103.

1. 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 22.062 - Electronic Filing Records; 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.

1. ESTIMATED BURDEN OF INFORMATION COLLECTION

IRC section 6012(b) requires certain fiduciaries and receivers to disclose information and file a return. The IRS anticipates that there will be approximately 2,140 respondents annually, with a total estimated burden of 80,015 hours annually. The estimated burden is shown below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **# of Respondents** | **# Responses per Respondent** | **Annual Responses** | **Hours per Response** | **Total Burden Hours** |
| Form 1041 | 3,040,333 | 1 | 3,040,333 | 77.65 | 236,081,857 |
| Schedule D | 1,861,116 | 1 | 1,861,116 | 23.48 | 43,699,004 |
| Schedule I | 1,791,300 | 1 | 1,791,300 | 26.92 | 48,221,796 |
| Schedule J | 242 | 1 | 242 | 15.34 | 3,712 |
| Schedule K-1 | 3,391,032 | 1 | 3,391,032 | 7.76 | 26,314,408 |
| Schedule D Tax Worksheet | 71,750 | 1 | 71,750 | 8.75 | 627,813 |
| 28% Rate Gain Worksheet | 30,750 | 1 | 30,750 | 1.9 | 58,425 |
| Capital Loss Carryover Worksheet | 135,300 |  | 135,300 | 3.4 | 460,020 |
| Unrecaptured Section 1250 Gain Worksheet | 164,000 |  | 164,000 | 4.78 | 783,920 |
| Qualified Dividends Tax Worksheet | 24,600 |  | 24,600 | 4.37 | 107,502 |
| Form 1041-V | 820,000 | 1 | 820,000 | 0.72 | 590,400 |
| **Totals** | **11,330,423** |  | **11,330,423** |  | **356,948,857** |

The following regulations impose no additional burden. Please continue to assign OMB number 1545‑0092 to these regulations.

1.47-5

1.641(b)-2

1.642(c)-1

1.642(c)-2

1.642(c)-6

1.642(g)-1

1.642(i)-1

1.663(b)-2

1.666(d)-1A

1.671-4

1.6012-3

1.6033-2

1.6034-1

20.2055-2

53.6011-1

301.6034-1

301.6685-1

301.7207-1

1. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The IRS is currently working on the IRS Taxpayer Burden Model to estimate burden and costs, which is expected to be finalized for the next submission of this information collection.

1. 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.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Product** | **Aggregate Cost per Product (factor applied)** |  | **Printing and Distribution** |  | **Government Cost Estimate per Product** |
| Form 1041 | $85,068 | + | $775 | = | $85,843 |
| Form 1041 Instructions | $166,865 | + | $1,256 | = | $168,121 |
| Schedule D | $102,082 | + | $313 | = | $102,395 |
| Schedule D Instructions | $39,262 | + | $201 | = | $39,463 |
| Schedule I | $78,525 | + | $0 | = | $78,525 |
| Schedule I Instructions | $71,981 | + | $0 | = | $71,981 |
| Schedule J | $78,525 | + | $0 | = | $78,525 |
| Schedule K-1 | $78,525 | + | $313 | = | $78,838 |
| Schedule K-1 Instructions | $13,087 | + | $263 | = | $13,350 |
| Form 1041-V | $78,525 | + | $0 | = | $78,525 |
| **Grand Total** | **$792,445** | **+** | **$3,121** | **=** | **$795,566** |
| Table costs are based on 2022 actuals obtained from IRS Chief Financial Officer and Media and Publications |

1. REASONS FOR CHANGE IN BURDEN

The number of responses changed based on current filing data. This increases the number of responses by 843,523 and the burden hours by 14,711,597 due to Agency Estimate.

Form 1041 was updated to remove obsolete credits, added a new elective payment election, and separate checkboxes and sublines for clarity. The “Mortgage Insurance Premiums Deduction Worksheet” and the “FAQs for PL 115-97 Section 14103” information collections are obsolete and were removed from the submission. This decreases the responses by 5,123 and increases the burden hours by 8,695,920 due to Agency Discretion.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **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 | 11,330,423 | 0 | -5,123 | 843,523 | 0 | 10,492,023 |
| Annual Time Burden (Hr) | 356,948,857 | 0 | 8,695,920 | 14,711,597 | 0 | 333,541,340 |

1. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis, and publication.

1. 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.

1. 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.