

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Qualified Severance
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 divided in a qualified severance into two or more trusts, the separate trusts resulting from the severance will be treated as separate trusts for generation-skipping transfer (GST) tax purposes and the inclusion ratio of each new resulting trust may differ from the inclusion ratio of the original trust. IRC section 2654(b) provides special rules for certain trusts treated as separate trusts.

A qualified severance is a division of a trust (other than a division described in section 26.2654-1(b)) into two or more separate trusts that meet the following requirements.

- (1) The single trust is severed pursuant to the terms of the governing instrument, or pursuant to applicable local law.
- (2) The severance is effective under local law.
- (3) The date of severance is either the date selected by the trustee as of which the trust assets are to be valued to determine the funding of the resulting trusts, or the court-imposed date of funding in the case of an order of the local court with jurisdiction over the trust ordering the trustee to fund the resulting trusts on or as of a specific date. For a date to satisfy the definition in the preceding sentence, however, the funding must be commenced immediately upon, and funding must occur within a reasonable time (but in no event more than 90 days) after, the selected valuation date.
- (4) The single trust (original trust) is severed on a fractional basis, such that each new trust (resulting trust) is funded with a fraction or percentage of the original trust, and the sum of those fractions or percentages is one or one hundred percent, respectively.

TD 9438 contains final regulations providing guidance regarding the qualified severance of a trust for generation-skipping transfer (GST) tax purposes under section 2642(a)(3) of the Internal Revenue Code (Code), which was added to the Code by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

TD 9421 contains final regulations providing guidance regarding the generation-skipping transfer (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 section 2642(a)(3) of the Internal Revenue Code (Code).

26 CFR 26.2642-6(e) requests that filers use Form 706-GS(T) to report a qualified severance, by writing "Qualified Severance" at the top of the form and attaching a Notice of the Qualified Severance.

26 CFR 26.2654-1(b)(2) provides a special rule that if a court order severing the trust has not been issued at the time of the Federal estate tax return is filed, the executor must indicate on a statement attached to the return that a proceeding has commenced to sever the trust. A copy of the petition or instrument used must be attached to the return.

This request is being submitted to more accurately account for the separate burdens relating to severances of trusts as well as, renewal purposes.

2. USE OF DATA

This information requested in this collection is used by the IRS to identify and evaluate the proper division of a qualified severance of a trust.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

A qualified severance is reported by filing Form 706-GS(T), *Generation-Skipping Transfer Tax Return for Terminations*. The IRS requests that the filer write "Qualified Severance" at the top of the form and attach a Notice of Qualified Severance. This form is not currently available for electronic filing. Filing instructions are provided in the instructions to the form.

4. EFFORTS TO IDENTIFY DUPLICATION

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

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

The IRS proactively works with both internal and external stakeholders to minimize the burden on small businesses, while maintaining tax compliance. The Agency also seeks input regarding the burden estimates from the public via notices and tax product instructions. This form can be accessed electronically, which further reduces any burden to small businesses or other small entities.

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

The information required is needed to verify compliance with Section 2642(a)(3) of the Internal Revenue Code relating to qualified severance of trusts. A less frequent collection of taxes and tax information could adversely affect the government's effectiveness and would reduce the oversight of the public in ensuring compliance with Internal Revenue Code and hinder the IRS from meeting its mission.

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 September 30, 2024 (89 FR 79692), IRS received no comments during the comment period regarding this collection of information.

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

The requirements outlined in this collection are listed under 26 CFR 26.2654-1(b)(2) and 26 CFR 26.2642-6(e). This information is to be included as an attachment to Form 706-GS(T) [1545-1145]. Only information needed to verify proper severance is being requested relating to the original and new trust(s).

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden associated with the collections of information outlined in regulations section 26.2642-6(e) and section 26.2654-1(b)(2) consist of notating on and attaching a separate document to Form 706-GS(T).

The estimated burden:

Authority	Description	Number of Respondents	Number of Responses Per Respondent	Total Annual Responses	Hours Per Response	Total Burden
CFR 26.2642-6(e)	Notice and attachment to Form 706-GS(T)	650	1	650	2.13	1352
CFR 26.2654-1(b)(2)	Notice and attachment to Form 706-GS(T)	50	1	50	1	50
TOTAL		700		700		1402

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

This information collection will be included in the consolidated OMB submission for transfer tax returns currently being developed. IRS is working on the methodology for evaluating information return burden and cost; and will update the cost and burden estimates as part of the consolidation.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no annualized cost to the federal government as the reporting requirements are narrative statements that taxpayers attached to their returns. Therefore, there is no printing, copying, or distribution costs incurred by the IRS. The government costs do not include any activities such as taxpayer assistance and enforcement.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the collections of information previously approved by OMB. However, updates to properly account for both burdens addressed in TD 9348 and TD 9421 will result in an estimated burden increase of 50 hours. IRS is making this submission to update and renew the 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 for this IC	700	0	0	50	0	650
Annual IC Time Burden (Hours)	1,402	0	0	50	0	1,352

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 collection sunsets 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 for this collection.