

Supporting Statement

Internal Revenue Service

Application for Approval of Prototype or Employer Sponsored

Individual Retirement Arrangement (IRA) Form 5306

OMB Control Number 1545-0390

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) section 408 details law regarding the establishment of a trust created or organized in the United States for the exclusive benefit of an individual or his beneficiaries known as an Individual Retirement Account (IRA). Banks and insurance companies may establish prototype IRA account trusts or annuity contracts. Also, employers may establish IRA account trusts for the use of their employees. To ensure that these trusts or annuity contracts meet the requirements under IRC section 408(a), 408(b), or 408(c), these persons may request an approval letter from IRS.

Form 5306, Application for Approval of Prototype or Employer Sponsored Individual Retirement Account (IRA) is used by sponsoring organizations, employers, or employee associations to request an opinion letter on a prototype trust or custodial account agreement or a specific prototype individual annuity.

2. USE OF DATA

The Internal Revenue Service (IRS) uses the information collected to determine if the IRA trust or annuity contract meets the requirements of section code 408, so the IRS may issue an approval letter.

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

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

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

Consequences of less frequent collection on federal programs or policy activities could result in an increase of IRA trusts not meeting the requirements of IRC 408.

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**

We received no comments during the comment period in response to the Federal Register notice (90 FR 40467), dated August 19, 2025.

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 “Business Master File (BMF)” and a Privacy Act System of Records notice (SORN) has been issued for these systems under: IRS 24.030- Customer Account Data Engine (CADE) Individual Master File; IRS-24.046 – CADE Business Master File (BMF) 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 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**

The Privacy Act Statement for Form 5306 can be found in the form’s instructions

Form 5306 is used to seek an approval letter from the IRS by banks and insurance companies to establish prototype IRA trusts or annuity contracts and/or employers may establish IRA trusts for the use of their employees. rom IRS.

It is anticipated that there will be 600 respondents that respond once with a response time of 13 hours 45 minutes totaling 8,244 burden hours.

The burden estimate is as follows:

Authority	Description	# of Respondents	# of Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC § 408	Form 5306	600	1	600	13.74	8,244
Totals		600		600		8,244

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There is a \$2,500 user fee associated with filing a Form 5306. The total estimated annual cost to respondents is \$1,500,000 (600 responses per year x \$2,500 = \$1,500,000).

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 per product 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 5306	\$21,681	+	\$0	=	\$21,681
Grand Total	\$21,681	+	\$0	=	\$21,681
Table costs are based on 2024 actuals obtained from IRS Chief Financial Office and Media and Publications					

In addition to the product cost, the minimum cost to process Forms 5306 and issue opinion or ruling letters is \$1,500,000.

The total estimated government cost \$1,521,681.

15. **REASONS FOR CHANGE IN BURDEN**

There were no changes made to the forms that resulted in any change to the burden previously reported to OMB. The annual cost burden has been updated to include the required user fee. This increases the cost burden by \$1,500,000 due to Agency Estimate. We are making this submission to renew the OMB approval.

There are no changes to the form or burden at this time.

	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	600	0	0	0	0	600
Annual IC Time Burden (Hours)	8,244	0	0	0	0	8,244
Annual IC Cost Burden (Dollars)	1,500,000	0	0	1,500,000	0	0

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 believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the forms expire as of the

expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of 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.