

**SUPPORTING STATEMENT**  
Internal Revenue Service  
T.D. 8459, Settlement Statement  
OMB Control Number 1545-1299

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Internal Revenue Code (IRC) section 468B creates an entity called a qualified settlement fund and Treasury Decision (TD) 8459 provides rules regarding the taxation of the qualified settlement fund. A qualified settlement fund is a fund established pursuant to a court order to resolve or satisfy certain liabilities, such as those involving tort or breach of contract. Section 468B(a) provides that economic performance under section 461(h) is deemed to have occurred as a taxpayer makes payments into the qualified settlement fund. Section 468B(g) requires the current income taxation of all escrow accounts, settlement funds, and similar funds. Section 468B(g) also requires the Secretary to prescribe regulations providing for the taxation of these accounts and funds. Because qualified settlement funds are taxable persons, these entities are required to file the various tax and information returns that are required to be filed by other taxpayers. In addition, certain persons (transferors) who are required to make transfers to qualified settlement funds are required to provide the Internal Revenue Service (IRS) and the fund with a schedule of those transfers and, in the case of transfers of certain partnership interests and non-publicly traded stock, a qualified appraisal substantiating the fair market value of the partnership interest or stock. Moreover, the fund and the transferors are permitted to make a joint election, and the fund is permitted to make a second election, each of which must be filed with the IRS. Section 7805 grants the Secretary of the Treasury, or designee, the authority to prescribe needful rules and regulations.

TD 8459 contains final regulations relating to the tax treatment of transfers to funds, accounts, and trusts used in the settlement of certain controversies, the taxation of income earned by these funds, and the tax treatment of distributions made by these funds. Changes made to the applicable law were made by the Tax Reform Act of 1986 and the Technical and Miscellaneous Revenue Act of 1988. The regulations affect these settlement funds, taxpayers who make transfers to these funds and taxpayers who receive distributions from these.

TD 8459 requires QSF to file tax (1.468B-2(k)) and info returns (1.468B-2(l)). Transferors must obtain appraisals for losses (1.468B-3(b)) and must furnish statements to IRS and QSF about transfers (1.468B-3(e)). QSF administrators can make elections and must provide election statements (1.468B-5(c)).

**2. USE OF DATA**

This information is required by the (IRS) to determine whether a Settlement Fund is in compliance with filing and reporting of federal income tax and information returns.

Qualified settlement funds (QSF) are required to file income tax returns annually and estimated tax returns quarterly in the same manner as a corporation. These funds are also required to file information returns and other returns generally on the same basis as a

corporation. In addition, transferors are required to provide to the fund and the IRS on an annual basis, a schedule of transfers (along with copies of any necessary qualified appraisal) that they made to the fund during the preceding taxable year. In addition, on a one-time basis the fund and each of the transferors are required to file statements with respect to an election that is available to them. Finally, on a one-time basis the fund is permitted to make an election which must be filed with the IRS.

The IRS uses the annual income tax returns and the quarterly estimated tax returns to determine a fund's liability for federal income taxes. Pursuant to the provisions of subtitle F of the Code these returns are generally due annually and quarterly, respectively. The other returns required to be filed by a fund are necessary to assure that the fund makes proper payment of taxes other than income taxes (e.g., excise taxes or withholding taxes). In addition, the requirements for filing information returns and the schedule of payments by transferors is needed to assure that transferors, the funds, and persons who receive payments from the fund treat items of income and deduction consistently. Qualified appraisals are necessary to ensure that transferors substantiate the amount of deductions they take for transfers of certain partnership interests and non-publicly traded stock. The election statement is necessary to inform the IRS that a fund will be treated as a qualified settlement fund earlier than the date that it would otherwise be so treated under the regulations. The IRS needs this qualified settlement fund only when it is so considered for federal income tax purposes.

**3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

The IRS has no plans to provide electronic filing because these are recordkeeping requirements only.

**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 statutory exception that exempts any qualified settlement fund or transferor to a qualified settlement fund, including those that may be considered small entities, from the information collection requirements under the final regulations.

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

If the IRS did not collect this information, the IRS would not be able to determine a fund's liability for federal income taxes, resulting in the inability of the IRS to meet 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**

We received no comments during the comment period in response to the Federal Register notice (90 FR 55975), dated December 4, 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**

No personally identifiable information (PII) is collected.

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

Section 1.468B-1(j)(2)(ii) requires electing transferors and funds to file election statements if a fund is to be treated as a qualified settlement fund prior to the time it would otherwise meet the requirements of these regulations. It is estimated that 1,000 respondents will make one response each, which is estimated to take 15 minutes to 35 minutes, depending on individual circumstances, with an estimated average of 25 minutes to prepare, for a total estimated reporting burden of 417 hours.

Section 1.468B-3(b) requires transferors to furnish copies of a qualified appraisal in the case of certain transfers of stock and partnership interests. The qualified appraisal must be prepared by a qualified appraiser and therefore may not be prepared by the transferor or the qualified settlement fund. Thus, in order to substantiate an income tax deduction for transfers of the specified stock and partnership interests, the transferor will generally be required to incur a fee. It is estimated that 250 respondents will make one response each, which is estimated to take 8 to 12 hours, depending on individual circumstances, with an estimated average of 10 hours to prepare, for a total estimated reporting burden of 2,500 hours.

Section 1.468B-3(e) requires transferors to file a statement setting forth the information with respect to transfers they made to the fund during a calendar year. It is estimated that 1,500 respondents will make one response each, which is estimated to take 15 minutes to 35 minutes, depending on individual circumstances, with an estimated average of 25

minutes to prepare for a total estimated reporting burden of 625 hours.

The burden estimates are as follows.

Authority	Description	# of Respondents	# of Responses Per Respondent	Annual Responses	Hours Per Response	Total Burden Hours
IRC § 468B	TD 8459 1.468B-1(j)(2)(ii)	1,000	1	1,000	25 mins.	417
IRC § 468B	TD 8459 1.468B-3(b)	250	1	250	10 hours	2,500
IRC § 468B	TD 8459 1.468B-3(e)	1,500	1	1,500	25 mins.	625
Totals		2,750		2,750		3,542

**13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

The IRS currently estimates the cost burden on respondents to be nominal. There are no start-up or maintenance costs for this collection. The collection does not require respondents to obtain specialized equipment or professional services.

**14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT**

There are no annualized costs to the Federal government outside of regular agency activities such as taxpayer assistance and enforcement.

**15. REASON FOR CHANGE IN BURDEN**

There is no change in the paperwork 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 or 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 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.