

SUPPORTING STATEMENT
(Form 706-QDT)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

IRC section 2056A imposes a tax on certain taxable events involving qualified domestic trusts and establishes rules for computing the tax. "Taxable events" are taxable distributions from the qualified domestic trust, the failure of the trust to qualify as a qualified domestic trust, and the death of the trust beneficiary. Form 706-QDT is used to compute and report the tax due on these taxable events. Either the trustee in the case of a single qualified domestic trust, or the designated filer in the case of multiple trusts is liable for filing the return and paying the tax.

Normally, the trustee/designated filer will file a single form annually and report on it all taxable events that occurred during the prior calendar year. It is possible, however, that a second return would be filed in the year of the trust beneficiary's death or the year the trust fails to qualify as a qualified domestic trust. That second return would be the final return of the trust and is due 9 months following the date of failure to qualify or the date of death. The trustee/designated filer will not file Form 706-QDT for any year in which no taxable event occurs.

2. USE OF DATA

IRS will use the information on Form 706-QDT to enforce the QDT tax provisions of the Internal Revenue Code, i.e., to verify that the taxes have been properly computed. The IRS also will use the information on Form 706-QDT to prepare a quadrennial Statistics of Income report available to the public.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing because of low filing volume compared to cost of electronic enabling.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

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

Not applicable.

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

Not applicable.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

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

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Form 706-QDT.

In response to the **Federal Register** Notice (72 FR 8059), dated February 22, 2007, we received no comments during the comment period regarding Form 706-QDT.

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

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden estimate is as follows:

	Number of <u>Hours</u>	Time per <u>Responses</u>	Total <u>Response</u>
Form 706-QDT	80		4.46

357

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

The following regulation imposes no additional burden. Please continue to assign OMB number 1545-1212 to this regulation.

20.6166A-1

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** notice dated February 22, 2007, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to

provide information. However, we did not receive any response from taxpayers on this subject. As a result, estimates of the cost burdens are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The primary cost to the government consists of the cost of printing Form 706-QDT. We estimate that the cost of printing the form is \$1,450.

15. REASONS 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

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attachment.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable.

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.