

SUPPORTING STATEMENT
(Form 706-D)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

In order to alleviate the impact of the estate tax on family-owned businesses, the Taxpayer Relief Act of 1997 (P.L. 105-34) added *Code Sec. 2033A*, which allowed for the exclusion of a portion of qualified family-owned business interests (QFOBIs) from a decedent's gross estate. However, because it was not clear whether *Code Sec. 2033A* excluded property or value from the gross estate, the IRS Restructuring and Reform Act of 1998 (P.L. 105-206) redesignated *Code Sec. 2033A* as *Code Sec. 2057* and amended the redesignated section, converting the exclusion into a deduction. Effective for estates of decedents dying after December 31, 1997, the QFOBI deduction, in combination with the *Code Sec. 2010* applicable exclusion amount (unified credit), shields up to \$1.3 million of qualified family-owned business interests from the estate tax.

For the family-owned business deduction to apply, the executor must make a *Code Sec. 2057* election (Form 706, Schedule T, Qualified Family-Owned Business Interest Deduction) and file a written agreement signed by each person having an interest in the property consenting to the application of the additional tax. An additional tax is imposed if any of the following recapture events occur within 10 years of the decedent's death and before the qualified heir's death: (1) the qualified heir ceases to meet the material participation requirements; (2) the qualified heir disposes of any portion of his or her interest in the family-owned business, other than by a disposition to a member of the qualified heir's family or through a conservation contribution under *Code Sec. 170(h)*; (3) the principal place of business of the trade or business ceases to be located in the United States; or (4) the qualified heir loses U.S. citizenship.

The Form 706-D, United States Additional Estate Tax Return Under Code Section 2057, is used to report and pay this

additional tax.

2. USE OF DATA

IRS uses Form 706-D to verify that the additional estate tax has been correctly computed.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Low filing volume does not justify the cost of electronic filing for Form 706-D.

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-D.

In response to the Federal Register notice (74 FR 42159), dated August 20, 2009, we received no comments during the comment period regarding Form 706-D.

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

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 706-D	180	2.94	530

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

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** notice dated August 20, 2009, 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-D. We estimate that the cost of printing the form is \$1,000.

15. REASONS FOR CHANGE IN BURDEN

There are no changes to the total burden.

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.