

SUPPORTING STATEMENT
Internal Revenue Service
Qualified Severance of a Trust for Generation-Skipping
Transfer (GST) Tax Purposes
OMB # **1545-1902**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

In general, 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. Because the post-severance resulting trusts are treated as separate trusts for GST tax purposes, certain actions with respect to one resulting trust will generally have no GST tax impact with respect to the other resulting trust(s).

TD 9348 (72 F.R. 42291), published August 2, 2007, contains final regulations (26 CFR 26.2642-6), 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). The regulations will affect trusts that are subject to the GST tax.

TD 9421 (73 FR 44649), published July 31, 2008, amends TD 9348. It 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). These final regulations also provide guidance regarding the GST tax consequences of a qualified severance of a trust with an inclusion ratio between zero and one into more than two resulting trusts. These final regulations also provide special funding rules applicable to the non-pro rata division of certain assets between or among resulting trusts. The regulations will affect trusts that are subject to the GST tax.

26 CFR 26.2642-6, *Qualified severance*, provide 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. This Regulation requires taxpayers to report a qualified severance by filing a Form 706-GS(T) (OMB # 1545-1145), or such other form that may be published by the Internal Revenue Service in the future that is specifically designated to be utilized to report qualified severances.

2. USE OF DATA

The collection of information in these final regulations is in §26.2642–6(e). This information is requested by the IRS to identify whether a trust is exempt from the GST tax. This information is required to determine whether the amount of tax has been calculated correctly.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, Regulations, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998. This regulation requires taxpayers to report a qualified severance by filing a Form 706-GS(T) (OMB # 1545-1145).

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 minimal to no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity.

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

The information is requested by the IRS to identify whether a trust is exempt from the GST tax. The consequences of less frequent collection are that GST tax provisions will not be followed as prescribed. Tax compliance is a vital part of the government's ability to meet its' mission and serve the public.

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

On August 24, 2004, the IRS published in the Federal Register a notice of proposed rulemaking (REG-145987-03, 2004-2 C.B. 519 [69 FR 51967]), providing rules under section 2642(a)(3) regarding the qualified severance of a trust for GST tax purposes. The IRS received written and oral comments responding to the notice of proposed rulemaking. No public hearing was requested or held. After consideration of all the comments, Final regulations were published on August 2, 2007 (TD 9348).

The Treasury Department and IRS determined that certain comments received in response to the proposed regulations, and certain additional rules under section 2642(a)(3), should be addressed in a separate notice of proposed rulemaking. On August 2, 2007, the Federal

Register published a notice of proposed rulemaking (REG– 128843–05, 2007–37 IRB 587, 72 FR 42340) addressing those comments and rules. The IRS received one submission containing several comments on the notice of proposed rulemaking.

After consideration of the comments, final regulations (TD 9421) were published in the Federal Register on July 31, 2008 (73 FR 44650).

We have received no comments during the comment period in response to the Federal Register notice dated April 19, 2018 (83 FR 17473).

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

There are no special circumstances requiring payment or gift to any respondents.

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

No personally Identifiable Information (PII) is being collected through the regulations. Any collection of PII is addressed under the Form 706-GS(T) approval number 1545-1145.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collection of information in these final regulations is in §26.2642–6(e). This information is requested by the IRS to identify whether a trust is exempt from the GST tax.

The agency estimates that there will be 650 respondents. The estimated average annual burden per respondent / recordkeeper is 2 hours 8 minutes per respondent, with an estimated overall annual burden of 1352 hours.

| OMB Collection | Authority | Form | Annual Responses | Hours per Response | Total Burden |
|-----------------------|------------------|-------------|-------------------------|---------------------------|---------------------|
| 1545-1902 | 26.2642–6(e) | 706GS(T) | 650 | 2.13 | 1352 |
| | | | | | |
| | IRS TOTAL | | 650 | | 1352 |

Please continue to assign OMB number 1545-1902 to these regulations.

1.1001–1

26.2642–6

26.2654–1

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution and overhead for the regulation is nominal.

15. REASONS FOR CHANGE IN BURDEN

There are no changes being made to the burden previously approved.

This submission is being made for renewal purposes.

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 regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service 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.

Note: The following paragraph applies to all 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 if 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.