



DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 300

[REG-103193-26]

RIN 1545-BS10

Estate Tax Closing Letter User Fee Update

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations amending the current regulations to increase the amount of the user fee imposed on authorized persons requesting the issuance of an estate tax closing letter. The Independent Offices Appropriations Act of 1952 authorizes charging user fees in appropriate circumstances. The proposed regulations would affect persons who request an estate tax closing letter.

DATES: Written or electronic comments and requests for a public hearing must be received by **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: Commenters are strongly encouraged to submit public comments electronically. Submit electronic submissions via the Federal eRulemaking Portal at <https://www.regulations.gov> (indicate IRS and REG-103193-26) by following the online instructions for submitting comments. Requests for a public hearing must be submitted as prescribed in the “Comments and Request for Public Hearing” section. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. The Department of the Treasury (Treasury Department) and the IRS will publish for public availability any comments submitted to the IRS’s public docket. Send paper

submissions to: CC:PA:01:PR (REG-103193-26), Room 5503, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, D.C. 20044.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Juli Ro Kim at (202) 317-6859; concerning cost methodology, CFO Cost and User Fees at (202) 317-6400; concerning submissions of comments or requests for a public hearing, the Publications and Regulations Section at (202) 317-6901 (not toll-free numbers) or by email at *publichearings@irs.gov* (preferred).

SUPPLEMENTARY INFORMATION:

Authority

This notice of proposed rulemaking proposes amendments to 26 CFR part 300 regarding user fees for authorized persons who request the issuance of an estate tax closing letter (also referred to as the IRS Letter 627).

The Independent Offices Appropriations Act of 1952 (IOAA) (31 U.S.C. 9701) authorizes each agency to prescribe regulations that establish user fees for services provided by the agency. The IOAA provides that regulations implementing user fees are subject to policies prescribed by the President; these policies are set forth in the Office of Management and Budget Circular A-25, 58 FR 38142 (July 15, 1993) (OMB Circular A-25).

The IOAA states that the services provided by an agency should be self-sustaining to the extent possible. Under OMB Circular A-25, agencies that provide services that confer special benefits on identifiable recipients beyond those accruing to the general public must identify those services, determine whether user fees should be assessed for those services, and, if so, establish user fees that recover the full cost of providing those services, unless an exception to the full cost requirement is granted. As required by the IOAA and OMB Circular A-25, agencies are to review user fees

biennially and update them as necessary to reflect changes in the cost of providing the underlying services.

Background and Explanation of Provisions

A. Estate Tax Closing Letter User Fee

On September 28, 2021, the Treasury Department and the IRS published final regulations (TD 9957) in the ***Federal Register*** (86 FR 53539) establishing a \$67 user fee to apply to requests for the issuance of an estate tax closing letter, based on a 2019 Cost Model. Based on a 2023 Cost Model, the Treasury Department and the IRS published in the ***Federal Register*** an interim final rule (TD 10031, 90 FR 21410) on May 20, 2025, followed by final regulations adopting the interim final rule (TD 10038, 90 FR 55041) on December 1, 2025, which established the current \$56 user fee to apply to requests for the issuance of an estate tax closing letter.

As explained in the *Background* section of the preamble of TD 9957, the issuance of an estate tax closing letter constitutes the provision of a service and confers special benefits to authorized persons requesting such letters beyond those accruing to the general public. Therefore, the IRS is authorized, pursuant to the IOAA and OMB Circular A-25, to charge a user fee for the issuance of an estate tax closing letter that reflects the full cost of providing this service.

In 2025, the IRS conducted a biennial review of the estate tax closing letter user fee and issued a new Cost Model, which determined that the full cost of issuing estate tax closing letters to authorized persons is \$76. The increase is due to a combination of operational factors.

B. Calculation of User Fees Generally

The IRS follows generally accepted accounting principles (GAAP) in calculating the full cost of providing services. The Federal Accounting Standards Advisory Board (FASAB) is the body that establishes GAAP that apply for Federal reporting entities

such as the IRS. FASAB publishes the FASAB Handbook of Accounting Standards and Other Pronouncements, as amended, available at <https://fasab.gov/accounting-standards/>. The FASAB Handbook includes the Statement of Federal Financial Accounting Standards 4: Managerial Cost Accounting Standards and Concepts (SFFAS No. 4) for the Federal government. SFFAS No. 4 establishes internal costing standards under GAAP to accurately measure and manage the full cost of Federal programs. The methodology described below is in accordance with SFFAS No. 4.

1. Cost Center Allocation

The IRS determines the cost of its services and the activities involved in producing them through a cost accounting system that tracks costs to organizational units. The lowest organizational unit in the IRS's cost accounting system is a cost center. Cost centers usually are separate offices that are distinguished by subject-matter area of responsibility or geographic region. All costs of operating a cost center are recorded in the IRS's cost accounting system and are allocated to that cost center. These costs include the direct costs for the cost center's activities and all indirect costs, including overhead, associated with that cost center. Each cost is recorded in only one cost center.

2. Cost Estimation of Direct Labor and Benefits

Not all cost centers are fully devoted to only one service for which the IRS charges a user fee. When cost centers include multiple services, the IRS measures the time required to accomplish activities associated with each service to estimate the average time spent on the service in the related cost center. The average time devoted is multiplied by the relevant organizational unit's average labor and benefits cost per unit of time to determine the direct labor and benefits cost incurred to provide the service. To determine the full cost, the IRS then adds an appropriate overhead charge.

3. Calculating Overhead

Overhead is an indirect cost of operating an organization that cannot be immediately associated with an activity that the organization performs. Overhead includes costs of resources that are jointly or commonly consumed by one or more organizational unit's activities but are not specifically identifiable to a single activity, such as the following:

- General management and administration
- Rent, security, utilities and maintenance
- Procurement and contracting
- Financial management and accounting
- Information technology
- Research, analytical, and statistical
- Human resources and personnel

To calculate the overhead allocable to a service, the IRS multiplies the current overhead rate by the direct labor and benefits costs of the service. The overhead rate is the ratio of the IRS's indirect labor, benefits, and non-labor costs of business divisions that do not interact with taxpayers to the direct labor and benefits costs of business divisions that interact with taxpayers. The IRS calculates the overhead rate annually based on cost elements underlying the Statement of Net Cost included in the IRS Annual Financial Statements, which are audited by the Government Accountability Office.

For this estate tax closing letter user fee review, the fiscal year (FY) 2025 overhead rate, based on FY 2024 costs, of 62.92 percent was used.

C. *Full Cost Determination for the Estate Tax Closing Letter User Fee*

The IRS followed the guidance provided by the OMB Circular A-25 guidance to compute the full cost of issuing estate tax closing letters to authorized persons. OMB Circular A-25 explains that the full cost includes all indirect and direct costs to any part

of the Federal Government including, but not limited to, direct and indirect personnel costs, physical overhead, rents, utilities, travel, and management costs.

1. *Request Processing Costs*

Requests for estate tax closing letters are processed by employees at grades 5, 8, and 11 of the general schedule (GS-5, GS-8, and GS-11). Approximately 0.65 staff hours are required to review the return, create the estate tax closing letters, and prepare the letters for mailing. The IRS processed an average of 8,053 requests per year for estate tax closing letters in FY 2023 and FY 2024, requiring 5,234 staff hours.

Total hours allocated to the cost also must include indirect hours for campus employees, which are calculated by multiplying the direct hours by the applicable 60 percent indirect employee rate. Using this information, IRS determined that staff hours for processing requests for estate tax closing letters are 8,374 annually.

Direct Staff Hours	5,234
Indirect Hours (60%)	+ <u>3,140</u>
Total Hours	8,374

To determine the labor and benefits costs, the IRS divided the 8,374 total hours by 2,080 (the total annual hours worked by a full-time employee (FTE)) to convert the hours to a 4.03 FTE equivalent. The processing of requests for estate tax closing letters is performed at the GS-5 level (36.85 percent), but also by employees at the GS-8 level (35.82 percent) and GS-11 level (27.33 percent). The average salary and benefit cost for each of those levels was multiplied by that grade's percentage of processing time to arrive at a \$92,812 total cost per FTE. Multiplying the cost per FTE by the 4.03 FTE equivalent resulted in a total labor and benefits cost of \$374,032, as follows:

Total Cost Per FTE	\$92,812
Total FTE	x <u>4.03</u>

Processing Labor & Benefits \$374,032

2. *Quality Assurance Review Costs*

A sampling of issued estate tax closing letters are reviewed to verify (1) the estate tax closing letter was authorized, (2) the information included in the estate tax closing letter was accurate, and (3) the address was correct.

During FY 2023 and FY 2024, 48 estates were issued estate tax closing letters (an annual average of 24 estates) that were reviewed for quality assurance purposes. Generally, three letters are reviewed per estate and quality assurance professionals spend 0.5 hours reviewing one estate tax closing letter, totaling 36 direct staff hours. The direct staff hours were multiplied by the 60 percent indirect employee rate for campus employees, resulting in a combined total of 58 annual staff hours allocated for quality assurance (QA) reviews, as follows:

Direct Staff Hours		36
Indirect Hours (60%)	+ _____	22
Total Hours		58

Outgoing estate tax closing letters are reviewed by quality assurance professionals at the following Internal Revenue (IR) paybands of the IRS Payband System: IR-10 (25 percent) and IR-06 (75 percent). Dividing the total hours by 2,080 (the total annual hours for each FTE) resulted in 0.03 FTEs. The average salary and benefits for both IR paybands conducting QA reviews was multiplied by that IR payband's percentage of processing time to arrive at the \$3,818 total cost per FTE. The total cost per FTE was then multiplied by the total FTE to determine the labor and benefits cost for QA reviews, as follows:

Total Cost per FTE		\$127,256
Total FTE	x _____	0.03

Quality Assurance Labor & Benefits	\$3,818
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3. *Full Cost Per Request Calculation*

The IRS applied the 62.92 percent overhead rate to the total labor and benefits cost to calculate the full cost of the estate tax closing letter program.

Processing Labor & Benefits	\$374,032
Quality Assurance Labor & Benefits	+ <u>\$3,818</u>
Total Labor and Benefits	\$377,850
Overhead (62.92%)	+ <u>\$237,743</u>
Full Cost	\$615,593

The \$76 cost per request was determined by dividing the full cost by the average annual volume of processed requests, as follows:

Full Cost	\$615,593
Estimated Annual Request Volume	÷ <u>8,053</u>
Cost Per Request	\$76

Proposed Applicability Date

These regulations are proposed to apply to requests for an estate tax closing letter received by the IRS on or after the date that is 30 days after the date these regulations are published as final regulations in the ***Federal Register***.

Special Analyses

I. Regulatory Planning and Review

The OMB's Office of Information and Regulatory Analysis has determined that this regulation is not significant and is not subject to review under section 6(b) of Executive Order 12866.

II. Regulatory Flexibility Act

Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is hereby certified that these proposed regulations will not have a significant economic impact on a substantial number of small entities. The proposed regulations, which would increase the amount of a fee to obtain a particular service, would affect decedents' estates, which generally are not "small entities" as defined under 5 U.S.C. 601(6). Thus, these proposed regulations would have no economic impact on small entities. Accordingly, the Secretary certifies that the rule will not have a significant economic impact on a substantial number of small entities.

III. Submission to Small Business Administration

Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking has been submitted to the Chief Counsel of the Office of Advocacy of the Small Business Administration for comment on its impact on small business.

IV. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995 requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of \$100 million in 1995 dollars, updated annually for inflation. This rule does not include any Federal mandate that may result in expenditures by State, local, or Tribal governments, or by the private sector in excess of that threshold.

V. Executive Order 13132: Federalism

Executive Order 13132 (Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State and local governments, and is not required by statute, or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. These proposed regulations do not have federalism implications

and do not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of the Executive order.

Comments and Request for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to comments that are submitted timely to the Treasury Department and the IRS as prescribed in this preamble under the **ADDRESSES** heading. The Treasury Department and IRS request comments on all aspects of the proposed regulations. Any electronic and paper comments submitted will be made available at <https://www.regulations.gov> or upon request. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn.

A public hearing will be scheduled if requested in writing by any person that timely submits written or electronic comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the ***Federal Register***.

Drafting Information

The principal author of these proposed regulations is Juli Ro Kim of the Office of the Associate Chief Counsel (Passthroughs, Trusts, and Estates). However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 300

Estate taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, the Treasury Department and the IRS propose to amend 26 CFR part 300 as follows:

PART 300—USER FEES

Paragraph 1. The authority citation for part 300 continues to read, in part, as follows:

Authority: 31 U.S.C. 9701.

Par. 2. Section 300.12 is amended by revising paragraphs (b) and (d) to read as follows:

§ 300.12 Fee for estate tax closing letter.

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(b) *Fee.* The fee for issuing an estate tax closing letter is \$76.

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(d) *Applicability date.* This section applies to requests received by the IRS on or after [the date 30 days after the date of publication of final regulations in the ***Federal Register***].

Frank J. Bisignano,

Chief Executive Officer.

[FR Doc. 2026-10963 Filed: 6/1/2026 8:45 am; Publication Date: 6/2/2026]