

**SUPPORTING STATEMENT  
(PS-163-84)**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 707(a)(2)(B) of the Internal Revenue Code provides that if there is a transfer of money or property by a partner to a partnership and a related transfer of money or property from the partnership to the partner (or another partner), then the transfers are to be treated as a disguised sale between the partner and the partnership or between two partners. The regulations provide a rebuttable presumption that, if the transfers to and from the partnership occur within two years of each other, the transfers are treated as a disguised sale unless the facts and circumstances clearly establish otherwise. If the transfers occur within two years of each other and the parties treat them as a nontaxable contribution to the partnership under section 721, a nontaxable distribution from the partnership under 731, or as guaranteed payments for the use of capital under section 707(c), then the regulations provide that the appropriate party should report the transfers and their treatment to the Internal Revenue Service.

**2. USE OF DATA**

The information will be obtained from Form 8275 or a statement attached to the partner's (or, as the case may be, the partnership's) return submitted to the Internal Revenue Service. The information will be used by the Internal Revenue Service to ensure that the transfers made within two years of each other are not, in fact, a disguised sale: that transfers of property within two years of incurring debt secured by the property are not disguised sales; and that transfers of property from a partnership to a partner in situations analogous to the previous two situations are not a disguised sale.

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

We have no plans to offer electronic filing. IRS publication, regulations, notices and letters are to be electronically enabled on a practicable basis in accordance with the IRS

**Reform and Restructuring Act of 1998.**

**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**

We have been unable to reduce the burden specifically for small businesses.

**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**

A notice of proposed rulemaking was published in the Federal Register (56 FR 19055) on April 25, 1991. Written comments were received and a public hearing was held on September 23, 1991. Final regulations were published in the Federal Register (57 FR 44974) on September 30, 1992.

We received no comments during the comment period in response to the Federal Register Notice (72 FR 29036), dated May 23, 2007.

**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**

Section 1.707-8 sets forth the information reporting required by 1.707-3(c)(2), 1.707-5(a)(7)(ii), and 1.707-6(c). The estimated burden per respondent varies from 15 minutes to 25 minutes, depending on individual circumstances, with an estimated average of 20 minutes. The estimated number of respondents is 7,500. The estimated total annual reporting burden is 2,500 hours.

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 May 23, 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**

Not applicable.

**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**

**We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulations sunset as of the expiration date. Taxpayers are not likely to be aware that the Service 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 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.**