

**SUPPORTING STATEMENT  
(REG-149519-03)**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 707(a)(2)(B) of the Internal Revenue Code provides, in part, that if there is a transfer of money or property by a partner to a partnership and a related transfer of money or property by the partnership to another partner, then the transfers are to be treated as a disguised sale (of a partnership interest) between the two partners. The regulations provide a rebuttable presumption that, if the transfers to and by the partnership occur within two years of each other, the transfers are treated as a disguised sale of a partnership interest between the partners unless the facts and circumstances clearly establish otherwise. If the transfers occur within seven years of each other, the parties treat them as other than a sale (i.e., a nontaxable contribution to the partnership under section 721 and a nontaxable distribution from the partnership under 731), and the transfer is not presumed to be a guaranteed payment for the use of capital under section 707(c), and is not a reasonable preferred return or an operating cash flow distribution, 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 return submitted to the Internal Revenue Service of the person who makes a transfer. The information will be used by the Internal Revenue Service to ensure that transfers made within seven years of each other are not, in fact, a disguised sale; that transfers of property within seven years of incurring debt secured by the property (in the case of sales of property) or assuming or taking subject to debt (in the case of sales of property or partnership interests) are not a disguised sale; and that transfers of property by 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 regarding disguised sales of partnership interests is being published in the Federal Register to provide the public a 60-day period in which to review and provide public comments relating to any aspect of the proposed regulations. A public hearing will be held with respect to this NPRM if any person who has submitted written comments requests one.

In response to the Federal Register Notice dated June 21, 2007 (72 F. R. 34357), we received no comments during the comment period regarding REG-1495190-03.

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) of the final regulations, and §1.707-7(k) of the proposed regulations. 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 22,500. The estimated total annual reporting burden is 7,500 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**

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information 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.