

SUPPORTING STATEMENT

Form 1065 and Schedule D, Schedule K-1 (Form 1065), Schedule L, Schedules M-1, M-2 and M-3, Schedule C, and Schedule B-1, and Form 1065X.

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Form 1065

Internal Revenue Code Section 6031 and Regulations section 1.6031-1 require partnerships to file Form 1065 and Schedules D and K-1 (Form 1065). In certain circumstances generally related to the dollar amount of assets or receipts, a partnership is also required to file Schedule M-3 and Schedule C. Internal Revenue Code section 6698 imposes a penalty on the partnership for failure to file a complete return on time as required by section 6031.

Form 1065X

New Form 1065X is to be used by partnerships (including electing large partnerships) and real estate mortgage investment conduits (REMIC) that need to file amended returns or make administrative adjustment requests. Previously, partnerships and REMICs used Form 8082 for this purpose. (Form 8082 will still be used in certain cases by partners and shareholders that need to file administrative adjustment requests or a notice of inconsistent treatment.)

2. USE OF DATA

The information is used by IRS to verify correct reporting of partnership items and for general statistics. The information is used by partners to determine the income, loss, credits, etc., to report on their tax returns. The information is needed to enable partnerships and REMICs to use new Form 1065X to file amended returns or make administrative adjustment requests.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing on Form 1065 and schedules.

We are working towards making Form 1065X a stand-alone form that

can be electronically filed by partnerships, but we will not be able to have that in place by the end of 2011.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

We are removing, from Form 8082, the ability for partnerships and REMICs to use Form 8082 to file an amended return or make an administrative adjustment request.

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 1065 and schedules and Form 1065X.

In response to the **Federal Register** notice dated **July 22, 2010 (75 FR 42831)**, we received 1 comment during the comment period regarding Form 1065 and schedules.

No response is required. The comment simply supported the

agency's collection of the information. The comment was uploaded into ROCIS.

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>Responses</u>	<u>Response</u>	<u>Number of Hours</u>	<u>Time per</u>	<u>Total</u>
Form 1065		3,776,900	95.59	361,033,871
Form 1065	Sch D	134,478	11.68	1,570,704
Form 1065	Sch K-1	14,378,100	28.23	405,893,763
Form 1065	Sch L	1,228,538	24.95	30,652,024
Form 1065	Sch C	50,000	2.76	138,000
Form 1065	Sch M-1	1,228,538	3.57	4,385,881
Form 1065	Sch M-2	1,228,538	3.57	4,385,881
Form 1065	Sch M-3	100,000	94.82	9,482,000
Form 1065	Sch B-1	50,000	2.67	133,500
Form 1065X		9,000	29.51	265,590
		22,184,092		817,941,214

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

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0099 to these regulations.

Reporting Regulations

1.552-3(c)

1.613-6

1.552-4(b)
1.552-5

1.613-7(d)

1.614-6(a)
1.614-8(a)(2)
1.613A-5
1.614-8(a)

(3)

1.611-2
1.613A-
6(a) 1.617-1(c)

1.611-3

1.613A-6(b)
1.617-3(b)
1.612-5(b) + (d)
1.613A-6(c)
1.617-4(b)

1.613-3(c)(5)

1.614-2(c)

1.703-1

1.613-3(d)(1)(v)

1.614-2(d)

1.706-1

1.613-3(h)

1.614-3(b)

1.706-1T(b)

1.613-4(c)(5)

1.614-3(f)

1.732-1(d)

1.613-4(d)

1.614-5(b)

1.751-1(b)(4)

1.613-4(h)

1.614-5(c)

1.754-1(a), (b)

& (c)

1.6031-1

1.6031(b)-T

1.6031(c)-1T

301.6231

1.755-1(a)(2)

1.734-1

1.761-2

1.755-1

NPRM 198-82

1.6001-1

Recordkeeping Regulations

1.47-6

1.611-2(a), (b), (c), + (e)

1.613A-6(a), (b), + (c)

1.614-2(d)

1.614-6(a)
1.614-8(a)
1.6031-1(c)-1T(a)(4)

Regulations which impose no additional burden

1.469-4		1.469-4T
		1.469-4(f)
1.701-1(a)(b) +(c)		1.6031-1(b)-1T(a)
		1.6031-1(c)-
		1T(a)(4)
1.708-1(b)(2)		1.6031-
		1(c)-1T(a)(1)
		1.6031-
		1(c)-1T(a)(3)
1.6031-1(a), (d)	1.6031-1(c)-1T(e)	1.707-8
1.6032-1	1.752-2	

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** notice dated **July 22, 2010 (75 FR 42831)**, 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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution, and overhead for these forms is \$2,127,889.

15. REASONS FOR CHANGE IN BURDEN

-Changes in Total Annual Time Burden Due to Agency Discretion: Consolidating the "worksheet for figuring net earnings (Loss) from self-employment" into the main form 1065 decreased total annual time burden by 2,512,582 hours; The new form 1065X added for use by partnerships and REMICs to file amended returns or make administrative adjustment requests, pursuant to US Code 26 Section 6251-Administrative Adjustment Request resulted in an increase in total annual time burden hours by 265,590 hours. The new Schedule B-1 increased total annual time burden hours by 133,500. The net change in Total Annual Time Burden due to Agency Discretion is a 2,113,492 decrease to burden hours.

-Changes in Total Annual Time Burden Due to Adjustment in Agency Estimate:

An increase in projected filers who are expected to file form 1065 resulted in a 99,205,583 increase in total annual time burden hours. Updated burden information along with a more accurate burden computation of the Schedule M-3 has decreased burden by 912,000. The net change in Total Annual Time Burden Due To Adjustment in Agency Estimate is a 98,293,583 increase to burden hours.

-Changes in Total Annual Responses Due to Agency Discretion: Consolidating the "worksheet for figuring net earnings (Loss) from self-employment" into the main form 1065 decreased total

annual number of responses by 1,219,700. The additional responses from the new form 1065X resulted in a 9,000 increase in the total number of annual responses. New Schedule B-1 increased estimated total annual responses by 50,000. The net change in Total Annual Responses Due to Agency Discretion is a 1,160,700 increase.

-Changes in Total Annual Responses Due to Adjustment in Agency Estimate:

An increase in projected filers who are expected to file form 1065 resulted in a 1,400,100 increase to total annual responses. The net change in Total Annual Responses Due to Adjustment in Agency Estimate is a 1,400,100 increase.

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 statutes/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 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.