

# **SUPPORTING STATEMENT**

## **(Notice 2005-32)**

### **1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

The American Jobs Creation Act of 2004 amended §§ 734, 743, and 6031 of the Internal Revenue Code. The amendment necessitated the creation of new reporting requirements and procedures for the mandatory basis adjustment provisions of §§ 734 and 743, the procedures for making an electing investment partnership election under § 743(e), and the reporting requirements for electing investment partnerships and their partners. This notice provides interim procedures for partnerships and partners to comply with the mandatory basis adjustment provisions of §§ 734 and 743. This notice also provides interim procedures for electing investment partnerships and their partners to comply with §§ 743(e) and 6031(f).

### **2. USE OF DATA**

The data collected under §§ 734 and 743 will be used by the Service to monitor whether the partnerships required to make the mandatory basis adjustment under those sections correctly make the necessary basis adjustments. The data in the statement filed to make an election under § 743(e) will be used to monitor the electing investment partnerships. This notice requires the partner who sells the partnership interests in an electing investment partnership to provide certain information to the partnership and the partner who buys the partnership interests. An electing investment partnership is required to inform its partners of the electing investment partnership status. These third-party data collections are necessary to implement the partner-level loss limitation rules under §743(e).

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

IRS Publications, regulations, published guidance, e.g., revenue rulings and revenue procedures, notices, letters, and letter rulings are to be electronically enabled on an as 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**

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 THE 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**

Notice 2005-32 was published in the Internal Revenue Bulletin on April 18, 2005 (2005-16 I.R.B. 895).

In response to the **Federal Register Notice dated August 17, 2011 (76 FR 51126)**, we received no comments during the comment period regarding Notice 2005-32.

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

Not applicable.

**10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Submissions under this notice are considered tax returns and tax return information, which are confidential as required by 26 U.S.C. § 6103.

**11. JUSTIFICATION OF SENSITIVE QUESTIONS**

Not applicable.

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

The total estimated average annual burden varies from 0.05 hours to 3 hours with a total estimated average burden of 2.07 hours on 266,400 respondents and/or recordkeepers for a total of 552,100 hours annually.

The table below shows the detailed estimates of the annual burdens.

<b><u>Relevant Sections</u></b>	<b><u>Respondents per</u></b>	<b><u>Annual</u></b>	<b><u>Total annual</u></b>
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	<u>year</u>	<u>burden hours</u>	<u>burden hours</u>
1.734-1(d)	50,000	3	150,000
		Subtotal =	150,000
1.743-1(k)(1)	100,000	3	300,000
1.743-1(k)(2)	100,000	1	100,000
1.743-1(k)(5)	10,000	0.05	500
		Subtotal =	400,500
743(e)	6,400	0.25	1,600
		Subtotal =	1,600
Total	266,400		552,100

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, **Federal Register Notice dated August 17, 2011 (76 FR 51126)**, 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 responses from taxpayers on this subject. As a result, estimates of 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 leading taxpayers to believe that the revenue procedure will sunset as of the expiration date. Taxpayers are not likely to be aware that the Service may 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 FOPM 83-I**

Not applicable.

**Note:** The following paragraph applies to all 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 the 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.