

**SUPPORTING STATEMENT
(REG-143544-04)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION
Section 336(e) authorizes the issuance of regulations under which a corporation (seller) that owns stock in another corporation (target) meeting the requirements of section 1504(a)(2) and sells, exchanges, or distributes all of such stock may make an election to treat the sale, exchange, or distribution of the target stock as a disposition of all of target's underlying assets. Section 336(e) was enacted as part of the legislation repealing the General Utilities rule, and like an election under section 338(h)(10), is meant to provide taxpayers relief from a potential multiple taxation at the corporate level of the same economic gain, which can result when a transfer of appreciated corporate stock is taxed without providing a corresponding step-up in the basis of the assets of the corporation. This final regulation under section 336(e) which provide the qualifications, requirements, mechanics, and consequences for treating a stock sale, exchange, or distribution that does not qualify as a qualified stock purchase as an asset sale.
2. USE OF DATA
The collections of information relate to the requirement that statements be filed with the IRS with respect to the qualified stock disposition of a corporation. These collections of information are necessary for the proper performance of the function of the IRS because it notifies the IRS when a qualified stock disposition is made and provides relevant information pertaining to the parties making an election to treat a stock sale, exchange or distribution as a sale of assets.
3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN
IRS Publications, Regulations, notices and Letters are to be electronically enabled 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 BUSINESS 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

The notice of proposed rulemaking (REG-143544-04) was published in the Federal Register on August 25, 2008, at 73 FR 49965 and provided the public a comment period relating to any aspect of the proposed regulation. The IRS did not receive any request for a public hearing. Written comments were received in response to the NPRM and have been summarized in the preamble of the final regulation.

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

Burden estimation:

The collections of information in this proposed regulation are in §§1.336-2(h) and 1.336-4(c)(4). The collections of information relate to the requirements that statements be filed with the IRS with respect to certain sales, exchanges or distributions of stock pursuant to a qualified stock disposition under section 336(e), and for certain shareholders to make a gain recognition election. These collections of information are necessary for the proper performance of the function of the IRS because it notifies the IRS that an election to apply to rules contained in this treasury decision have been made. The likely respondents will be corporations, S corporation shareholders, and other for-profit institutions.

The Treasury Decision provides that a section 336(e) election is made by attaching a statement to a timely filed Federal income tax return of the seller for the taxable year which includes the disposition date. If the seller is a member of a consolidated group, the statement is filed with the consolidated return of the consolidated group. If the target is an S corporation, all of the S corporation shareholders, including those who do not sell their S corporation stock, must consent to the election, and the section 336(e) election statement for an S corporation target is filed with the income tax return of the S corporation target. We estimate that this requirement will affect approximately 500 respondents per year and take 2 hours each for a total of 1,000 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

A preapproval was granted on the NPRM in 2008 and expired prior to final regulations. The submission of this information collection associated with the final regulation is to request the OMB number assigned at the NPRM stage to be activated.

The NPRM had an estimated number of responses of 250. The final regulation updated the number of responses to 500. This results in a total of 1,000 burden hours.

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.