

**SUPPORTING STATEMENT  
1545-1654  
(TD 8902/REG-106527-98)**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

The regulations under section 1(h) of the Internal Revenue Code provide rules for "S corporations" and their shareholders, partnerships and their partners, and trusts and their beneficiaries when the "look-through capital gain" provisions of §§1(h)(6) and 1(h)(7) are triggered. Section 1(h)(6) provides that, when an interest in a partnership, an S corporation, or a trust is sold, the transferor realizes collectibles gain on account of collectibles held by the partnership, S corporation, or trust. Section 1(h)(7) provides that, when an interest in a partnership is sold, the transferor must take into account in computing the transferor's unrecaptured section 1250 gain an allocable share of the section 1250 capital gain in property held by the partnership. The regulations require that certain items must be reported by the partnership, the S corporation, or trust and taken into account by the transferor.

**USE OF DATA**

The information collection enables the Internal Revenue Service to determine whether the amount of a partner's, an S corporation shareholder's, or a trust beneficiary's income has been correctly computed.

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

We have no plans at this time to offer electronic filing because of the low volume compared to the cost of electronic enabling.

**EFFORTS TO IDENTIFY DUPLICATION**

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

**METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

Not applicable.

**CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

Not applicable.

**SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

Not applicable.

**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 on August 9, 1999 (64 FR 43117). The IRS received no requests to speak at a public hearing that was scheduled for November 18, 1999, and canceled the hearing. The final regulations (TD 8902) were published in the Federal Register on September 21, 2000 (65 FR 57092).

We received no comments during the comment period in response to the Federal Register notice dated September 19, 2014 (79 FR 56435) regarding TD 8902.

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

Not applicable.

**ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

**JUSTIFICATION OF SENSITIVE QUESTIONS**

No PII is being collected by this information collection.

**ESTIMATED BURDEN OF INFORMATION COLLECTION**

Section 1(h) requires taxpayers to take into account their allocable share of collectibles gain in property held by an S corporation, a partnership, or a trust when an interest in the entity is sold or exchanged, and requires partners to take into account their allocable share of section 1250

capital gain in property held by a partnership when an interest in that partnership is sold or exchanged. Section 1.1(h)-1(e) of the regulations provides that rules similar to the rules that currently apply to partners and partnerships under section 751(a) shall apply in the case of sales or exchanges of interests in a partnership, an S corporation, or a trust that holds property with collectibles gain and in the case of sales or exchanges of interests in a partnership that holds property with section 1250 capital gain. The transferor partner, shareholder, or trust beneficiary is required to report the following information (in a statement submitted with its income tax return) in the year a transfer occurs: (1) the date of the sale or exchange; (2) the amount of any gain attributable to collectibles or straight-line depreciation allowed or allowable with respect to section 1250 property; and (3) the amount of any gain or loss attributable to capital gain or loss on the sale of the partnership interest, S corporation shares, or interest in a trust. This reporting requirement is reflected in the burden of Form 1040, U.S. Individual Income Tax Return, and Form 1065, U.S. Partnership Return of Income, and Form 1120 S, U.S. Income Tax Return for an S Corporation, and Form 1041, U.S. Income Tax Return for Trusts and Estates.

Estimates of the annualized cost to respondents for the hour burdens associated with the information collection are not available at this time.

#### ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated September 19, 2014 (79 FR 56435), 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.

#### ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT.

Not applicable.

**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.

**PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION**

Not applicable.

**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 regulation sunsets 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.