

Supporting Statement
(Form 8824)
OMB Control Number 1545-1190

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1031 of the Internal Revenue Code allows for the non-recognition of gain or loss on the exchange of business or investment property. Section 1043 allows for the non-recognition of gain from dispositions made by certain members of the executive branch of the Federal government as a result of a conflict of interest.

Form 8824 provides taxpayers with an easy method of determining whether a transaction qualifies for like-kind exchange treatment, the gain or loss, if any recognized as a result of the exchange, and the basis in the new property received in the exchange.

2. USE OF DATA

The information is used by IRS to verify the provisions of sections 1031 and 1043 have been met and that the deferral of gain (or loss) under those sections is allowable to the taxpayer.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing for Form 8824.

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

There are no small entities affected by this collection.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

The tax return is not complete without filing Form 8824 on like-kind exchanges that took place during the tax year. The IRS needs to know the amount of gain deferred on the like-kind exchange to ensure that taxes are collected on any future sale of the property. Without the information on Form 8824, the IRS will not have enough information on the like-kind exchange.

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

There are no special circumstances requiring data collection to be inconsistent with guidelines in 5 CFR 1320.5(d)(2) .

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

In response to the **Federal Register** notice dated January 19, 2016 (81 FR 2962), we received one comment during the comment period regarding Form 8824. After consideration of said comment and per decision of management, the Internal Revenue Service will adopt these suggestions, within the constraints of space, in the 2016 revisions, except for #6. We will not adopt #6 this year because of our limited resources.

By “within the constraints of space,” we mean we will be unable to move line numbers between pages or to increase the number of pages contained in the form - and may need to avoid increasing the number of pages in the instructions.

The suggested changes are as follows:

Form 8824	Comments	IRS response to comments
lines 12-14, 17, 19-24	No change suggested	IRS will take no action
line 15	Add instructions for calculating this for a deferred exchange	IRS will adopt taxpayer suggestion
line 16	Add Fair Market Value (FMV) of like kind replacement property received for a deferred exchange	IRS will adopt taxpayer suggestion
line 18	Add adjusted basis of	IRS will adopt

	like kind relinquished property, plus exchange expenses not used on line 15 for a deferred exchange	taxpayer suggestion
line 25	Add FMV of replacement property, less realized gain deferred for a deferred exchange	IRS will adopt taxpayer suggestion

Form 8824 Instruction	Comments	IRS response to comments
Specific Instructions, Line 5, para 3(b)	Change current language to read "The document designating in writing potential replacement property must be signed by actual exchanger(s). Signature of only real estate agent, attorney or other party is not acceptable"	IRS will adopt taxpayer suggestion
line 6a	Request line 6a to be amended	IRS will NOT adopt taxpayers suggestion because of limited resources
line 11a of Part II	Add line 11 to Part II to read "See instructions for additional related party exceptions established by IRS rulings"	IRS will adopt taxpayer suggestion
	Suggested that if more space is needed, that Part IV and instructions receive a new Form number and be published separately on a new single page	IRS will adopt taxpayer suggestion

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

No payment or gift has been provided to any respondents.

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

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Business Master File (BMF)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.046-Customer Account Data Engine Business Master File. The Department of Treasury PIAs can be found at <https://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 8824	45,849	14.51	665,269

There is a reduction in the burden associated with this collection. Form 8824 is used by individual, business, and other taxpayers. The estimate of burden that is being reported under 1545-1190 reports only the burden imposed on other taxpayers. The portion of the burden imposed on individual taxpayers is approved and reported under OMB Control Number 1545-0074. The portion of the burden imposed on business taxpayers is approved and reported under OMB Control Number 1545-0123. This results in a net decrease in burden of 1,330,538 hours.

There has been no changes to the form. The change in burden is only

a reflection of the change in the number of responses. The form changes that are explained above will be effective in the 2016 revision. The upcoming form changes are mentioned in this submission only to provide a summary of the reply to the comment that was received this year. It does not affect burden at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There is no estimated annual cost burden to respondents.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The primary cost to the government consists of the cost of printing this form. We estimate that the cost of printing the form is \$955.

15. REASONS FOR CHANGE IN BURDEN

There are changes to the form previously approved by OMB. This submission is being made for revision purposes. The burden has been reduced to reflect equal portions of the burden imposed on individuals (1545-0074), businesses (1545-0123), and other taxpayers (1545-1190).

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attachment.

18. EXCEPTION TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

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.