

SUPPORTING STATEMENT
Internal Revenue Service
Return of U.S. Persons With Respect to Certain Foreign Partnerships
Form 8865
OMB Number 1545-1668

6064. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Form 8865 is used to report the information required under section 6038 (reporting with respect to controlled foreign partnerships), section 6038B (reporting of transfers to foreign partnerships), or section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interests).

A U.S. person qualifying under one or more of the Categories of Filers (as outlined in the instructions) must complete and file Form 8865. The instructions and the Filing Requirements for Categories of Filers chart, explain the information, statements, and schedules required for each category of filer. If a taxpayer qualifies under more than one category for a particular foreign partnership, they must submit all the items required for each.

Treasury Decision 9814. IRC 721(c) temporary regulations were issued to require specific information to be reported when appreciated section 721(c) property is contributed to a section 721(c) partnership by a U.S. transferor. Specifically, Temp. Treas. Regulation 1.721(c)-6T(b)(2) provides the reporting requirements of a U.S. transferor that must be satisfied under the gain deferral method under Temp. Treas. Regulation 1.721(c)-3T(b). Schedule G and Schedule H must be used to apply the gain deferral method. Schedule G of Form 8865 provides the specific information on the reporting of a gain deferral contribution required under Temp. Treas. Regulation 1.721(c)-6T(b)(2) as well as the annual reporting relating to the gain deferral method under Temp. Treas. Regulation 1.721(c)-6T(b)(3). Schedule H of Form 8865 provides specific information relating to certain subsequent events to a gain deferral contribution as part of the annual reporting, including acceleration, termination and successor events, as well as other transactions as required under Temp. Treas. Regulation 1.721(c)-6T(b)(3).

6065. USE OF DATA

The information will be used by IRS to verify that United States persons are properly reporting foreign partnership tax items and for general statistics. The information on the new Schedules G and H of Form 8865 will be used by IRS to verify that U.S. transferors are properly reporting the required information under the gain deferral method for the year of the gain deferral contribution and each year with respect to the partnership taxable year that ends with, or within, the taxpayer year of the U.S. transferor, beginning with the partnership's taxable year that includes the date of the gain deferral contribution and ending with the last taxable year in which the gain deferral method is applied to the section 721(c) property. Schedule G of Form 8865 will be used for the year of the gain deferral contribution and the annual reporting relating to the gain deferral method. Schedule H of Form 8865 will be required to be filed in the year in

which certain subsequent events involving the contributed section 721(c) property subject to the gain deferral method has occurred.

6066. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 8865, including all attached Schedules is currently available. Schedules G and H will also be electronically filed.

6067. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available or use or adaption from another source.

6068. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

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

The information required is needed to verify compliance with Section 6038, 6038B, and 6046A of the Internal Revenue Code of the Treasury Regulations. A less frequent collection of taxes and tax information could adversely affect the government's effectiveness and would reduce the oversight of the public in ensuring compliance with Internal Revenue Code and hinder the IRS from meeting its mission.

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 October 1, 2018 (83 FR49455), we received no comments during the comment period regarding these regulations.

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 Internal Revenue Service 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.

The Privacy Act statement associated with this Form is listed in the instructions.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Authority	Form	# Respondents	# Responses Per Respondent	Total Annual Responses	Hours Per Response	Total Burden
IRC 6038	8865	3,300	1	3,300	20.44	67,452
IRC 6038	8865 Sch A	5,000	1	5,000	1.46	7,300
IRC 6038	8865 Sch A-1	4,000	1	4,000	1.42	5,680
IRC 6038	8865 Sch A-2	5,000	1	5,000	1.62	8,100
IRC 6038	8865 Sch B	1,000	1	1,000	21.79	21,790
TD 9814	8865 Sch G	1,000	1	1,000	15.48	15,480
TD 9814	8865 Sch H	1,000	1	1,000	12.41	12,410
IRC 6038	8865 Sch N	1,000	1	1,000	14.49	14,490
IRC 6038	8865 Sch K	1,000	1	1,000	38.51	38,510
IRC 6038	8865 Sch K-1	1,650	1	1,650	11.91	19,652
IRC 6038	8865 Sch K, K-1 (15a)	3,500	1	3,500	3.36	11,760
IRC 6038	8865 Sch L	1,000	1	1,000	16	16,000
IRC 6038	8865 Sch M	1,000	1	1,000	3.37	3,370
IRC 6038	8865 Sch M-1	1,000	1	1,000	3.77	3,770
IRC 6038	8865 Sch M-2	1,000	1	1,000	3.36	3,360
IRC 6038	8865 Sch O	1,000	1	1,000	17.27	17,270
IRC 6038	8865 Sch P	1,000	1	1,000	6.57	6,570

Treas Reg 1.721(c)-3T)	8838 P	1,000	1	1,000	9.01	9,010
Totals		34,450		34,450		281,974

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The Federal government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized start up expenses, operating and maintenance expenses, and distribution of the product that collects the information.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables such as; complexity, number of pages, type of product and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries and other outlets. The result is the Government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>	<u>Printing and Distribution</u>	<u>Government Cost Estimate per Product</u>
8865	\$ 61,967	0	\$ 61,967
8865	\$ 32,920	0	\$ 32,920
8865 Sch K1	\$ 46,476	0	\$ 46,476
8865 Sch O	\$ 42,603	0	\$ 42,603
8865 Sch P	\$ 42,603	0	\$ 42,603
Grand Total	\$226,569.00	0	\$226,569.00
Table costs are based on 2016 actuals obtained from IRS Chief Financial Office and Media and Publications			
* New product costs will be included in the next collection update.			

15. REASONS FOR CHANGE IN BURDEN

Treasury Decision 9814. IRC 721(c) temporary regulations were issued to require specific information to be reported when appreciated section 721(c) property is contributed to a section 721(c) partnership by a U.S. transferor. Specifically, Temp. Treas. Regulation 1.721(c)-6T(b)(2) provides the reporting requirements of a U.S. transferor that must be satisfied under the gain deferral method under Temp. Treas. Regulation 1.721(c)-3T(b). New forms, Schedule G and Schedule H must be used to apply the gain deferral method. Schedule G of Form 8865 provides the specific information on the reporting of a gain deferral contribution required under Temp. Treas. Regulation 1.721(c)-6T(b)(2) as well as the annual reporting relating to the gain deferral method under Temp. Treas. Regulation 1.721(c)-6T(b)(3). Schedule H of Form 8865 provides specific information relating to certain subsequent events to a gain deferral contribution as part of the annual reporting, including acceleration, termination and successor events, as well as other transactions as required under Temp. Treas. Regulation 1.721(c)-6T(b)(3). The addition of these two forms results in an increase of overall response burden of 27,890 burden hours.

TD 9814	8865 Sch G	1,000	1	1,000	15.48	15,480
TD 9814	8865 Sch H	1,000	1	1,000	12.41	12,410
				2,000		27,890

Form 8865 and related schedules	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses for this IC	33450	2000	0	0	0	31450
Annual IC Time Burden (Hours)	272964	27890	0	0	0	245074

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

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form and/or 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

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.