

SUPPORTING STATEMENT
Internal Revenue Service
Elections for Certain Transactions Under Section 336(e)
OMB# 1545-2125

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 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) provides 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. This information is required by the IRS to allow certain parties to make a section 336(e) election and for certain shareholders to make a gain recognition election.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, Regulations, notices and Letters 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. The information obtained through this collection is unique and is not already available for use or adaptation from another source.

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

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866, as supplemented by Executive Order 13563.

Therefore, a regulatory assessment is not required. Further, it is hereby certified that these final regulations will not have a significant economic impact on a substantial number of small entities. This certification is since these regulations do not have a

substantial economic impact because they merely provide for an election in the context of certain sales, exchanges, and distributions of stock of corporations. The collections of information may affect small businesses if the stock of a corporation that is a small entity is disposed of in a qualified stock disposition. The regulations permit an election to be filed in order to treat a stock sale as an asset sale, and impose the same type of requirements on small businesses as section 338(h)(10). The professional skills that would be necessary to make the election would be the same as those required to prepare a return for the small business.

Accordingly, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Code, these final regulations, as well as the proposed regulations preceding these final regulations, were submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business, and no comments were received.

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

The collection of information contained in this treasury decision is as minimal as possible and provides a means of both notifying the IRS when a section 336(e) election is made and serves to protect the interests of the parties joining in a section 336(e) election. Without this collection of information, these elections may be inaccurately accounted for.

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

On August 25, 2008, the IRS and Treasury Department published a notice of proposed rulemaking in the Federal Register (REG-143544-04, 2008-42 IRB 947 [73 FR 49965-02]) (the proposed regulations) that, when finalized, would permit certain taxpayers to make an election to treat certain sales, exchanges, and distributions of another corporation's stock as taxable sales of that corporation's assets.

In response to the **Federal** register notice dated June 5, 2019, (84 FR 26182), we received no comments during the comment period regarding this guidance.

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

No personally identifiable information is collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collection of information in these final regulations is in sections 1.336–2(h) and 1.336–4(c)(4). This information is required by the IRS to allow certain parties to make a section 336(e) election and for certain shareholders to make a gain recognition election.

The burden estimate is as follows:

OMB Collectio n	Authority	Form	Annual Responses	Hours per Response	Total Burden
IRS 1545- 2125	CFR 1.336-2, -4	----	500	2	1,000
	IRS TOTAL		500		1,000

The following regulations impose no additional burden. Please continue to assign OMB number 1545-2125 to these regulations.

1.336-2 1.336-4

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated June 5, 2019, 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 these cost burdens are not available currently.

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

There is no estimated annualized cost to the federal government.

15. REASONS FOR CHANGE IN BURDEN

There are no changes to the burden.

We are submitting this request for renewal purposes only.

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 regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of 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 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.