



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

TO: Alex Goodenough, Office of Information and Regulatory Affairs

FROM: Ryan Law, Deputy Assistant Secretary
Office of Privacy, Transparency, and Records

SUBJECT: Justification for Emergency Processing: Form 7203, S Corporation Shareholder Stock and Debt Basis Limitations

Pursuant to Office of Management and Budget (OMB) procedures established at 5 CFR §1320.13, the Internal Revenue Service (IRS) requests emergency processing for “Form 7203, S Corporation Shareholder Stock and Debt Basis Limitations”. This emergency request covers the estate and trust filers. The individual filers, such as sole proprietors, are included in the 1545-0074 renewal, and the tax-exempt filers are included in the 1545-0047 renewal.

The Department of the Treasury and the Internal Revenue Service (IRS) are requesting approval of a new OMB Control Number under emergency procedures in connection with efforts of the IRS to help S corporation shareholders figure basis loss limitations and address audit issues resulting in improperly claimed losses and deductions.

Internal Revenue Code (IRC) section 1366 determines the shareholder’s tax liability from an S corporation. IRC section 1367 details the adjustments to basis including the increase and decrease in basis, income items included in basis, the basis of indebtedness, and the basis of inherited stock. Form 7203 and its separate instructions replace the 3-part worksheet formerly found in the Shareholder’s Instructions for Schedule K-1 (Form 1120-S). The IRS, American Institute of Certified Public Accountants (AICPA), and others agreed a new form was needed to formalize the basis computation to assist taxpayers accurately calculate and attach the required basis computation.

Emergency approval of this collection is essential to the mission of the IRS. The new form will allow taxpayers to accurately compute and properly report their stock and debt basis limitations on their tax returns. It will also provide the IRS with the information needed for tax compliance activities regarding claimed losses and deductions.

The IRS plans to release Form 7203 by January 12, 2022, and thus requests approval of the control number by that date. The IRS sought public comments on the information collection in the Federal Register (86 FR 38204) on July 19, 2021. IRS received numerous comments, which were carefully considered, and IRS provided responses to the comments received. Given the number of public comments and the need to get the form published for the upcoming tax season, the IRS respectfully requests a waiver from the requirement to publish notice in the Federal Register seeking public comment during the period of Office of Management and Budget review. However, additional public comment will be solicited in conjunction with a subsequent extension of the approval to collect this information.