

SUPPORTING STATEMENT
Revenue Procedure 2003-39, LKE (Like-Kind Exchanges)
OMB #1545-1834

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Treasury and the Internal Revenue Service (IRS) have determined that it is in the best interest of sound tax administration to provide taxpayers with guidance regarding the qualification of LKE Programs under §1031 of the Internal Revenue Code (IRC). Accordingly, Revenue Procedure (Rev. Proc.) 2003-39 provides safe harbors that clarify the application of §1031 and the regulations thereunder to LKE Programs. Section 5 and 6 of Rev. Proc. 2003-39 include the third-party disclosure and recordkeeping requirements needed for the assignment of safe harbor.

If a taxpayer meets all of the requirements for these safe harbors, the IRS will not challenge: (a) whether a particular exchange of relinquished property and replacement property qualifies under §1031 of the IRC and the regulations thereunder merely because another exchange pursuant to the LKE program fails to so qualify; (b) whether a taxpayer is in actual or constructive receipt of money or other property in the context of an LKE program; or (c) whether an intermediary is a disqualified person in the context of an LKE Program.

2. USE OF DATA

This information is required by the IRS to provide safe harbors under §1031 to taxpayers participating in LKE Programs for federal income tax purposes.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information as a third-party disclosure and recordkeeping requirements.

4. EFFORTS TO IDENTIFY DUPLICATION

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

There is no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity.

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

ACTIVITIES

A less frequent collection on federal programs or policy activities would not allow the IRS to be able to provide taxpayers with guidance regarding the qualification of LKE Programs under §1031.

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 May 13, 2025 (90 FR 20350), IRS received no comments during the comment period regarding Rev. Proc. 2003-39.

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 return information are confidential as required by 26 USC 6103.

11. **JUSTIFICATION OF SENSITIVE QUESTIONS**

No personally identifiable information (PII) is collected.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

We estimate that approximately 8,600 finance companies; subsidiaries of manufacturers; or banks that purchases retail leases and retail installment sale contracts from dealers of automobiles or other types of equipment participate in LKE Programs for federal income tax purposes.

These taxpayers must enter into a written agreement with an intermediary in order to satisfy the requirements of section 1031. The average response time per taxpayer is estimated to be 1 hour. The total estimated burden is 8,600 hours.

Authorit y	Description	# of Respondents	#Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC §1031	Rev. Proc. 2003-39	8,600	1	8,600	1	8,600
Totals		8,600			1	8,600

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 startup expenses, operating and maintenance expenses, and distribution of the product that collects the information. Since this is a statement the taxpayer provides to the intermediary, there are no development or distribution costs to the IRS.

15. **REASONS FOR CHANGE IN BURDEN**

There is no change in the paperwork burden previously approved by OMB. IRS is making this submission to renew the OMB approval.

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 this revenue procedure sunsets as of the expiration date. Taxpayers are not likely to be aware that the IRS 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.