

80a-29, 80a-30, and 80a-37, unless otherwise noted.

* * * * *

§ 230.701 [Amended]

2. In § 230.701, revise the phrase “are or derive” to read “or derive” in the last sentence of the introductory text of paragraph (c).

3. In § 230.701, revise the phrase “most recent annual balance sheet date” to read “most recent balance sheet date” in paragraphs (d)(2)(ii) and (d)(2)(iii).

Dated: November 5, 1999.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-29530 Filed 11-10-99; 8:45 am]

BILLING CODE 8010-01-M

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1, 301, and 602

[TD 8841]

RIN 1545-AU99

Return of Partnership Income

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations revising the partnership filing requirement. These regulations reflect changes to the law made by the Taxpayer Relief Act of 1997 (TRA). All partnerships required to file partnership returns, including certain foreign partnerships, are affected by these regulations.

DATES: Effective Dates: These regulations are effective January 1, 2000, except that § 1.6031(a)-1(b)(3) is effective January 1, 2001.

Applicability Dates: For dates of applicability, see §§ 1.6031(a)-1(f) and 1.6063-1(c)(2).

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Martin Schaffer, 202-622-3070; concerning foreign partnerships, Guy A. Bracuti, 202-622-3860 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collection of information contained in these final regulations has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) under control number 1545-1583. The collection of information in these final regulations is in § 1.6031(a)-1. This information is required to enable the IRS to verify that a taxpayer is

reporting the correct amount of income or gain or claiming the correct amount of losses, deductions, or credits from that taxpayer's interest in the partnership.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number.

The burden is reflected in the burden estimate of Form 1065.

Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be sent to the

Internal Revenue Service, Attn: IRS Reports Clearance Officer, T:FS:FP, Washington, DC 20224, and Office of Management and Budget, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503.

Books or records relating to a collection of information must be retained as long as their contents might 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.

Background

On January 26, 1998, the IRS and Treasury published in the **Federal Register** (63 FR 3677) proposed amendments to the regulations (REG-209322-82) under sections 6031 and 6063 of the Internal Revenue Code (Code). These amendments were designed, in part, to reflect changes made to section 6031 of the Code by section 1141 of TRA, Public Law 105-34 (111 Stat. 788). Written comments responding to these proposed regulations were received. No public hearing was requested or held. After consideration of all the comments, the proposed regulations under sections 6031 and 6063 of the Code are adopted as revised by this Treasury decision, and the current final regulations under section 6031 of the Code are removed.

Explanation of Revisions and Summary of Comments

A. General Filing Requirements for Foreign Partnerships

Section 6031(a) of the Code requires every partnership to file a partnership return. However, section 6031(e) of the Code provides that a foreign partnership is not required to file a return for a taxable year unless during that year it derives gross income from sources within the United States (U.S.-source income) or has gross income that is effectively connected with the conduct

of a trade or business within the United States (ECI).

Consistent with section 6031(e) of the Code, the proposed regulations generally required a foreign partnership to file a return under section 6031 of the Code if it had either U.S.-source income or ECI. This general rule is adopted without change in the final regulations.

B. Exceptions to General Filing Requirements

Under the proposed regulations, a foreign partnership that had no ECI, and that otherwise was required to file a partnership return only because it had U.S.-source income, was exempt from the requirement to file a partnership return if: (i) No United States person had a direct or indirect interest in the partnership; (ii) the U.S.-source income was either fixed or determinable annual or periodical income described in § 1.1441-2(b) or other amounts subject to withholding described in § 1.1441-2(c); (iii) Forms 1042 and 1042-S were filed with respect to all such gross income by the partnership, or by another withholding agent (or agents) if the partnership was not required to file such forms; and (iv) the tax liability of the partners with respect to such gross income was fully satisfied by the withholding of tax at source. Most of the written comments received with respect to the proposed regulations requested that the IRS and Treasury modify this proposed exception to the foreign partnership filing requirement.

In response to these comments, the final regulations liberalize the exceptions in certain instances for foreign partnerships that have U.S.-source income but no ECI. The changes are designed to reduce duplicative filing requirements where other information reporting and withholding requirements provide adequate protection for the tax system and to recognize that where there is de minimis ownership in a foreign partnership by U.S. partners, the return filing requirements should not be invoked merely because the partnership earns any amount of U.S.-source income.

The final regulations contain three rules that modify the reporting obligations of certain foreign partnerships that have no ECI. These modified reporting rules, with the exception of the de minimis exception, are applicable for partnership taxable years beginning after December 31, 2000, because they are dependent on rules contained in §§ 1.1441-5(c) and 1.1461-1, which will be applicable only after December 31, 2000. See Notice 99-27 (1999-20 I.R.B. 75). The de minimis

exception, however, will be effective for partnership taxable years beginning after December 31, 1999, the general effective date of these regulations.

The modified reporting rules contain some common requirements. None of these rules will apply to a withholding foreign partnership (as defined in § 1.1441-5(c)(2)(i)). Also, with the exception of the de minimis rule, the modified reporting rules will apply only when one or more withholding agents file the required Forms 1042 and 1042-S and pay the associated withholding tax.

The first modified reporting rule is the de minimis exception. This rule provides that a foreign partnership (other than a withholding foreign partnership, as defined in § 1.1441-5(c)(2)(i)) with \$20,000 or less of U.S.-source income and no ECI is required to file a partnership return only if one percent or more of any item of partnership gain, loss, deduction, or credit is allocable in the aggregate to direct U.S. partners.

The second modified reporting rule, which also was contained in the proposed regulations, provides that a foreign partnership with U.S.-source income but no ECI and no U.S. partners is not required to file a partnership return. Under the third rule, a foreign partnership with U.S.-source income and one or more U.S. partners but no ECI must file a partnership return. However, such a partnership need file Schedules K-1 only for its direct U.S. partners and for its passthrough partners through which U.S. partners hold an interest in the foreign partnership.

The final regulations do not require a foreign partnership to provide Schedules K-1 for foreign partners deriving U.S.-source income that is not ECI, because the foreign partners are subject to information reporting on Forms 1042-S under the rules contained in §§ 1.1441-5(c) and 1.1461-1 of the regulations. These rules generally subject the foreign partners, and not the partnership, to an information reporting regime with respect to U.S.-source income (that is not ECI) paid to a foreign partnership. To the extent that information returns are not required for foreign partners under section 1461 of the Code, the IRS and Treasury have determined that reporting under section 6031 of the Code is unnecessary as long as the foreign partnership has no ECI. Accordingly, a foreign partnership with no ECI need not report on a Schedule K-1 a foreign partner's allocable share of items of income, including U.S.-source gains that are not subject to Form 1042-S reporting, deposit interest under section 871(i) of the Code, and interest

or OID on short-term obligations under section 871(g) of the Code.

In contrast to the rule for U.S.-source income, the exception to Schedule K-1 reporting does not apply to a foreign partner's allocable share of ECI. Under the information reporting rules in §§ 1.1441-5(c)(1)(ii)(B) and 1.1461-1(c) of the regulations, ECI must be reported to a foreign partnership rather than to the foreign partners directly. In addition, because ECI is subject to tax on a net basis, a foreign partnership must provide a foreign partner's allocable share of other items of partnership income, gain, loss, or deduction to properly calculate the net taxable income. Therefore, if a foreign partnership has ECI, it must file a complete partnership return (with Schedules K-1 for all partners) reflecting all items of partnership income, gain, loss, deduction, and credit.

C. Partners That Are Controlled Foreign Corporations

One commentator suggested that a foreign partnership should not have to file under section 6031 of the Code if it has no direct U.S. partners and its only U.S.-source income is bank deposit interest under section 871(i) of the Code. The exception to the filing requirement in § 1.6031(a)-1(b)(2) of the proposed regulations did not apply to foreign partnerships with direct or indirect U.S. partners. Thus, according to the commentator, this exception did not apply to a common, nonabusive situation in which a controlled foreign corporation (CFC) is a partner in a foreign partnership whose only U.S.-source income is interest earned on a U.S. bank account. (Foreign partners do not owe U.S. tax on this interest income; see section 871(i) of the Code and § 1.1441-2(a) of the regulations (final sentence). In addition, a U.S. person who controls a CFC must report such income on Form 5471; see § 1.6038-2.)

The term indirect interest was not defined in the proposed regulations. Thus, whether a U.S. shareholder of a CFC partner held an indirect interest in the foreign partnership was not clear. These final regulations define the term *United States partner* as any U.S. person owning a direct or indirect interest in the foreign partnership. An indirect interest is defined as any interest held through one or more passthrough partners (as defined in section 6231(a)(9) of the Code). A passthrough partner is a partnership, estate, trust, S corporation, nominee, or other similar person. Because a CFC is not a passthrough partner, the U.S. shareholder of a CFC has no indirect

interest in the foreign partnership under these final regulations. Accordingly, a partnership with no ECI need not file a return solely as a result of having a CFC partner.

D. Responsibility To Ensure Filing of Forms 1042 and 1042-S and Payment of Associated Tax

As stated above, a foreign partnership may avail itself of the modified filing requirements in § 1.6031(a)-1(b)(3) of these regulations, for partnership taxable years beginning after December 31, 2000, only if it or another withholding agent actually files the Forms 1042 and 1042-S and pays the associated tax. A commentator suggested that a foreign partnership with no withholding responsibility should not have the burden of ensuring that another withholding agent has properly filed Forms 1042-S in order to invoke the modified filing requirements.

Where a withholding agent fails to withhold (and to file the requisite forms) with respect to a partner in a foreign partnership, the Service might be unable to assess and collect the proper tax without information from a partnership return. A partnership return provides the Service with the name of the foreign partner and the amount subject to withholding. Accordingly, these final regulations do not adopt the comment.

While this comment is not adopted, certain relief still may be available. Each person who has control, receipt, custody, or payment of an amount subject to withholding is a withholding agent and is responsible for withholding tax and filing Forms 1042 and 1042-S. Generally, a foreign partnership is a withholding agent and must withhold tax and file the requisite forms. Under § 1.1461-1(b) and (c), one withholding agent among several may be relieved of its responsibility to withhold if another withholding agent withholds tax and files the proper returns. However, § 1.1441-5(c)(3)(v) augments this rule by deeming a foreign partnership (other than a withholding foreign partnership as defined in § 1.1441-5(c)(2)(i)) to have satisfied its withholding responsibilities for an amount with respect to a partner to the extent that the partner's distributive share of the payment can be reliably associated with a withholding certificate described in § 1.1441-5(c)(3)(iii) pertaining to the partner that the partnership has furnished to a withholding agent, and the partnership does not know or has no reason to know that the correct amount has not been withheld. These final regulations do not alter the result under § 1.1441-5(c)(3)(v). In addition, if a foreign

partnership reasonably relies on a modified filing requirement under these regulations, but the modification is inapplicable because no party has satisfied withholding responsibilities, the partnership should be able to show that its failure to file a partnership return was due to reasonable cause for purposes of section 6698 of the Code if the foreign partnership is deemed to have satisfied its withholding responsibilities under § 1.1441–5(c)(3)(v).

E. Partnership Level Elections Under Section 703 of the Code

A commentator suggested that an abbreviated return should be permitted where a foreign partnership would be exempt from the filing requirement but for a partnership level election under section 703 of the Code. These final regulations clarify that a return filed solely to make an election under section 703 of the Code need contain only information identifying the partnership and the type of election. In general, such a return is not considered to be a return filed under section 6031(a) of the Code. Therefore, a return filed solely to make an election is not a partnership return for purposes of section 6501 (regarding the statute of limitations) and sections 6231(a)(1)(A) and 6233 (regarding the partnership audit rules) of the Code.

Section 1.6031(a)–1(b)(3)(ii) of the proposed regulations provided that a return filed by or for a foreign partnership to make a section 703 election must be signed by each partner who was a partner at the time of election or by any partner who was authorized (under local law or the partnership's organizational documents) to make the election and who represented having such authority under penalties of perjury. A commentator suggested that the signature requirement for returns filed solely to make a partnership level election should be restricted to partners who are U.S. persons or are owned directly or indirectly by U.S. persons. These final regulations do not adopt this comment but maintain the signature requirement as proposed. Cf. § 301.7701–3(c)(2) setting forth the same signature requirement for entity classification elections.

F. Electing Out of Subchapter K Under Section 761 of the Code

A commentator suggested that the final regulations should provide a default rule under which a foreign partnership with no direct U.S. partners that is eligible to elect out of subchapter K of the Code would be deemed to have elected exclusion. Under § 1.6031(a)–

1(c)(2) of the proposed regulations, a partnership that was deemed to have elected exclusion from subchapter K, as specified in § 1.761–2(b)(2)(ii), would be exempt from the partnership filing requirement. According to the commentator, for joint ventures in which all the direct owners are foreign, it is often difficult to clearly demonstrate an intention to exclude the entity from U.S. partnership treatment, as required by the section 761 regulations. To avoid inconsistency with the requirements for deemed exclusion under section 761 of the Code, these final regulations maintain the rule as proposed.

Special Analyses

It has been determined that these regulations are not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. It is hereby certified that the collection of information contained in these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based on the fact that the regulations would reduce (rather than increase) the number of small entities that are required to file a partnership return. Specifically, the regulations eliminate the filing requirements for certain foreign partnerships that are fully subject to withholding in order to prevent duplicative filing requirements. In addition to eliminating the filing requirements in these circumstances, for ease of reference, the regulations update and restate the general requirements to file a partnership return as set forth in existing regulations. Because these regulations do not impose any new reporting requirements that are not imposed by the existing regulations, and the only significant modification of the existing regulations is to eliminate the filing requirement for certain foreign partnerships, the regulations will not have a significant economic impact on a substantial number of small entities. 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, the proposed regulations preceding these regulations were submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information: The principal authors of these regulations are Martin

Schäffer, Office of Assistant Chief Counsel (Passthroughs and Special Industries), and Guy A. Bracuti, Office of Associate Chief Counsel (International). However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects

26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 301

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting and recordkeeping requirements.

26 CFR Part 602

Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR parts 1, 301, and 602 are amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended by adding an entry in numerical order to read in part as follows:

Authority: 26 U.S.C. 7805. * * *

Section 1.6031(a)–1 also issued under 26 U.S.C. 6031. * * *

§ 1.6031–1 [Removed]

Par. 2. Section 1.6031–1 is removed.

Par. 3. Section 1.6031(a)–1 is added to read as follows:

§ 1.6031(a)–1 Return of partnership income.

(a) *Domestic partnerships*—(1) *Return required.* Except as provided in paragraphs (a)(3) and (c) of this section, every domestic partnership must file a return of partnership income under section 6031 (partnership return) for each taxable year on the form prescribed for the partnership return. The partnership return must be filed for the taxable year of the partnership regardless of the taxable years of the partners. For taxable years of a partnership and of a partner, see section 706 and § 1.706–1. For the rules governing partnership statements to partners and nominees, see § 1.6031(b)–1T.

(2) *Content of return.* The partnership return must contain the information required by the prescribed form and the accompanying instructions.

(3) *Special rule.* A partnership that has no income, deductions, or credits

for federal income tax purposes for a taxable year is not required to file a partnership return for that year.

(4) *Failure to file.* For the consequences of a failure to comply with the requirements of section 6031(a) and this paragraph (a), see sections 6229(a), 6231(f), 6698, and 7203.

(b) *Foreign partnerships—(1) General rule.* A foreign partnership is not required to file a partnership return, if the foreign partnership does not have gross income that is (or is treated as) effectively connected with the conduct of a trade or business within the United States (ECI) and does not have gross income (including gains) derived from sources within the United States (U.S.-source income). Except as provided in paragraphs (b)(2) and (3) of this section, a foreign partnership that has ECI or has U.S.-source income that is not ECI must file a partnership return for its taxable year in accordance with the rules for domestic partnerships in paragraph (a) of this section.

(2) *Foreign partnerships with de minimis U.S.-source income and de minimis U.S. partners.* A foreign partnership (other than a withholding foreign partnership, as defined in § 1.1441-5(c)(2)(i)) that has \$20,000 or less of U.S.-source income and has no ECI during its taxable year is not required to file a partnership return if, at no time during the partnership taxable year, one percent or more of any item of partnership income, gain, loss, deduction, or credit is allocable in the aggregate to direct United States partners. The United States partners must directly report their shares of the allocable items of partnership income, gain, loss, deduction, and credit.

(3) *Filing obligations for certain other foreign partnerships with no ECI—(i) General requirements for modified filing obligations.* A foreign partnership will be subject to the modified filing obligations in paragraphs (b)(3)(ii) and (iii) of this section if, in addition to satisfying the requirements contained in paragraphs (b)(3)(ii) and (iii) of this section—

(A) The partnership is not a withholding foreign partnership as defined in § 1.1441-5(c)(2)(i);

(B) Forms 1042 and 1042-S are filed by the partnership with respect to the amounts subject to reporting under § 1.1461-1(b) and (c), unless the partnership is not required to file such returns under § 1.1461-1(b)(2) and (c)(4), in which case Forms 1042 and 1042-S must be filed by another withholding agent or agents; and

(C) The tax liability of the partners with respect to such amounts has been fully satisfied by the withholding of tax

at the source, if applicable, under chapter 3 of the Internal Revenue Code.

(ii) *Foreign partnerships with U.S.-source income but no U.S. partners.* A foreign partnership that has U.S.-source income is not required to file a partnership return if the partnership has no ECI and no United States partners at any time during the partnership's taxable year.

(iii) *Foreign partnerships with U.S.-source income and U.S. partners.* Except as provided in paragraph (b)(2) of this section, a foreign partnership with one or more United States partners that has U.S.-source income but no ECI must file a partnership return. However, such a foreign partnership need not file Statements of Partner's Share of Income, Credit, Deduction, etc. (Schedules K-1) for any partners other than its direct United States partners and its passthrough partners (whether U.S. or foreign) through which United States partners hold an interest in the foreign partnership. Schedules K-1 that are not excepted from filing under this paragraph (b)(3)(iii) must contain the same information required of a domestic partnership filing under paragraph (a) of this section.

(4) *Information or returns required of partners who are United States persons—(i) In general.* If a United States person is a partner in a partnership that is not required to file a partnership return, the district director or director of the relevant service center may require that person to render the statements or provide the information necessary to verify the accuracy of the reporting by that person of any items of partnership income, gain, loss, deduction, or credit.

(ii) *Controlled foreign partnerships.* Certain United States persons who are partners in a foreign partnership controlled (within the meaning of section 6038(e)(1)) by United States persons may be required to provide information with respect to the partnership under section 6038.

(5) *Certain partnership elections.* For a partnership that is not otherwise required to file a partnership return, if an election that can only be made by the partnership under section 703 (affecting the computation of taxable income derived from a partnership) is to be made by or for the partnership, a return on the form prescribed for the partnership return must be filed for the partnership. Unless otherwise provided in the form or the accompanying instructions, a return filed solely to make an election need only contain a written statement citing paragraph (b)(5)(ii) of this section, listing the name and address of the partnership making

the election, and clearly identifying the specific election being made. A return filed under paragraph (b)(5)(ii) of this section solely to make an election is not a partnership return. Thus, such a return is not a return filed under section 6031(a) for purposes of sections 6501 (except regarding the specific election issue), 6231(a)(1)(A), and 6233. The return must be signed by—

(i) Each partner that is a partner in the partnership at the time the election is made; or

(ii) Any partner of the partnership who is authorized (under local law or the partnership's organizational documents) to make the election and who represents to having such authorization under penalties of perjury.

(6) *Exclusion for certain organizations.* The return requirement of section 6031 and this section does not apply to the International Telecommunications Satellite Organization, the International Maritime Satellite Organization, or any organization that is a successor of either.

(c) *Partnerships excluded from the application of subchapter K of the Internal Revenue Code—(1) Wholly excluded—(i) Year of election.* An eligible partnership as described in § 1.761-2(a) that elects to be excluded from all the provisions of subchapter K of chapter 1 of the Internal Revenue Code in the manner specified by § 1.761-2(b)(2)(i) must timely file the form prescribed for the partnership return for the taxable year for which the election is made. In lieu of the information otherwise required, the return must contain or be accompanied by the information required by § 1.761-2(b)(2)(i).

(ii) *Subsequent years.* Except as otherwise provided in paragraph (c)(1)(i) of this section, an eligible partnership that elects to be wholly excluded from the application of subchapter K is not required to file a partnership return.

(2) *Deemed excluded.* An eligible partnership that is deemed to have elected exclusion from the application of subchapter K beginning with its first taxable year, as specified in § 1.761-2(b)(2)(ii), is not required to file a partnership return.

(d) *Definitions—(1) Partnership.* For the meaning of the term partnership, see § 1.761-1(a).

(2) *United States person.* In applying this section, a United States person is a person described in section 7701(a)(30); the government of the United States, a State, or the District of Columbia (including an agency or instrumentality thereof); or a corporation created or organized in Guam, the Commonwealth

of Northern Mariana Islands, the U.S. Virgin Islands, and American Samoa, if the requirements of section 881(b)(1)(A), (B), and (C) are met for such corporation. The term does not include an alien individual who is a resident of Puerto Rico, Guam, the Commonwealth of Northern Mariana Islands, the U.S. Virgin Islands, or American Samoa, as determined under § 301.7701(b)–1(d) of this chapter.

(3) *United States partner.* In applying this section, a United States partner is any United States person who holds a direct or indirect interest in the partnership.

(4) *Indirect interest.* An indirect interest is any interest held through one or more passthrough partners, as defined in section 6231(a)(9).

(e) *Procedural requirements—(1) Place for filing.* The return of a partnership must be filed with the service center prescribed in the relevant IRS revenue procedure, publication, form, or instructions to the form (see § 601.601(d)(2)).

(2) *Time for filing.* The return of a partnership must be filed on or before the fifteenth day of the fourth month following the close of the taxable year of the partnership.

(3) *Magnetic media filing.* For magnetic media filing requirements with respect to partnerships, see section 6011(e)(2) and the regulations thereunder.

(f) *Effective dates.* This section applies to taxable years of a partnership beginning after December 31, 1999, except that paragraph (b)(3) of this section applies to taxable years of a foreign partnership beginning after December 31, 2000.

Par. 4. Section 1.6063–1 is amended by adding paragraph (c) to read as follows:

§ 1.6063–1 Signing of returns, statements, and other documents made by partnerships.

* * * * *

(c) *Certain partnership elections—(1) In general.* For rules regarding the authority of a partner to sign a partnership return filed solely for the purpose of making certain partnership level elections, see § 1.6031(a)–1(b)(5)(ii).

(2) *Effective date.* Paragraph (c) of this section applies to taxable years of a partnership beginning after December 31, 1999.

PART 301—PROCEDURE AND ADMINISTRATION

Par. 5. The authority citation for part 301 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

§ 301.6031–1 [Removed]

Par. 6. Section 301.6031–1 is removed.

Par. 7. Section 301.6031(a)–1 is added to read as follows:

§ 301.6031(a)–1 Return of partnership income.

For provisions relating to the requirement of returns of partnership income, see § 1.6031(a)–1 of this chapter.

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

Par. 8. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

Par. 9. In § 602.101, paragraph (b) is amended by removing the entry “1.6031–1” from the table and adding a new entry in numerical order to the table to read as follows:

§ 602.101 OMB control numbers.

* * * * *	
(b) * * *	
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CFR part or section where identified and described	Current OMB control No.
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1.6031(a)–1	1545–1583
* * * * *	
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Bob Wenzel,
Deputy Commissioner of Internal Revenue.
Approved: October 29, 1999.
Jonathan Talisman,
Acting Assistant Secretary of the Treasury.
[FR Doc. 99–29084 Filed 11–10–99; 8:45 am]
BILLING CODE 4830–01–U

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 301

[TD 8843]

RIN 1545–AW14

Partnership Returns Required on Magnetic Media

AGENCY: Internal Revenue Service (IRS), Treasury.
ACTION: Final regulations.

SUMMARY: This document contains final regulations relating to the requirements for filing partnership returns on magnetic media. These regulations reflect changes to the law made by the Taxpayer Relief Act of 1997. These

regulations affect partnerships with more than 100 partners.

DATES: *Effective Date:* These regulations are effective January 1, 2000.

Applicability Date: These regulations apply to partnership returns for taxable years ending on or after December 31, 2000. However, the regulations will not apply to electing large partnership returns under section 775 or partnership returns with foreign addresses for taxable years ending before January 1, 2001.

FOR FURTHER INFORMATION CONTACT: Bridget E. Finkenaur, (202) 622-4940 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the Regulations on Procedure and Administration (26 CFR part 301) relating to filing partnership returns on magnetic media under section 6011(e)(2). In addition, this document contains conforming amendments to the Regulations on Procedure and Administration (26 CFR part 301) relating to information reporting penalties under section 6721.

A notice of proposed rulemaking (REG–102023–98) was published in the **Federal Register** (63 FR 56878) on October 23, 1998. The public hearing scheduled for January 13, 1999, was canceled in the **Federal Register** (64 FR 1148) on January 8, 1998. No public hearing was requested or held. Two written comments were received. After consideration of the comments, the proposed regulations are adopted as modified by this Treasury decision. The comments are discussed below.

Explanation of Revisions and Summary of Comments

Both commentators requested that the IRS and the Treasury Department postpone the effective date of the regulations. The commentators were concerned that, given the various manners and formats that nominees use to submit partner information to publicly traded partnerships, these partnerships would be unable to create computer programs that would reformat the partner information in time to file their 1999 tax returns on magnetic media. In addition, partnerships required to file their returns on magnetic media beginning in 2000 will be focusing their computer resources on ensuring that their computer systems are year 2000 compliant. The commentators suggested that the effective date of the regulations be postponed to take into account these programming considerations.