



DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-108822-25]

RIN 1545-BR54

Returns Relating to Sales or Exchanges of Certain Partnership Interests

Agency: Internal Revenue Service (IRS), Treasury.

Action: Notice of proposed rulemaking.

Summary: This document contains proposed regulations modifying information reporting obligations with respect to sales or exchanges of certain interests in partnerships owning inventory or unrealized receivables. The proposed regulations affect partnerships.

DATES: Written or electronic comments and requests for a public hearing must be received by **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: Commenters are strongly encouraged to submit public comments and requests for a public hearing electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> (indicate IRS and REG-108822-25) by following the online instructions for submitting comments and requests for a public hearing. Requests for a public hearing must be submitted as prescribed in the “Comments and Requests for a Public Hearing” section. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. The Department of the Treasury (Treasury Department) and the IRS will publish for public availability any comment submitted to the IRS’s public docket. Send paper submissions to: CC:PA:01:PR (REG-108822-25), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC

20044.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Jeremy Brown, (202) 317-5279 (not a toll-free number); concerning the submission of comments, contact the Publications and Regulations Section of the Office of Associate Chief Counsel (Procedure and Administration) by email at publichearings@irs.gov (preferred) or by telephone at (202) 317-6901 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Authority

This document contains proposed amendments to the Income Tax Regulations (26 CFR part 1) under section 6050K of the Internal Revenue Code (Code). Section 6050K(a) provides that, except as provided in regulations prescribed by the Secretary of the Treasury or the Secretary's delegate (Secretary), a partnership is required to file a return if there is an exchange described in section 751(a) of the Code of any interest in the partnership during any calendar year. Section 6050K(a) also contains express delegations of authority for the Secretary to promulgate regulations prescribing the information required to be disclosed on such partnership returns, the manner in which such returns are made, and the due date of such returns.

Section 6031(a) of the Code provides an express grant of authority for the Secretary to prescribe in forms or regulations partnership reporting information required "for the purpose of carrying out the provisions of subtitle A."

Section 7805(a) of the Code authorizes the Secretary to "prescribe all needful rules and regulations for the enforcement of [the Code], including all rules and regulations as may be necessary by reason of any alteration of law in relation to internal revenue."

Background

Section 741 of the Code provides that gain or loss recognized by a transferor partner upon sale or exchange of a partnership interest is considered as gain or loss from the sale or exchange of a capital asset, except as provided in section 751. Section 751(a) provides that the amount of any money, or the fair market value of any property, received by a transferor partner in exchange for all or a part of the transferor partner's interest in the partnership attributable to (1) unrealized receivables of the partnership, or (2) inventory items of the partnership, will be considered as an amount realized from the sale or exchange of property other than a capital asset. Section 1.6050K-1(a)(4)(i) refers to a sale or exchange to which section 751(a) applies as a "section 751(a) exchange."

Section 6050K(a) requires a partnership to file a return if there is a section 751(a) exchange of any interest in the partnership during any calendar year. Section 6050K(a) further provides that the return must state the name and address of the transferee and transferor in the section 751(a) exchange and such other information as the Secretary may by regulations prescribe.

Section 1.6050K-1(a)(1) generally requires a partnership to make a separate return using Form 8308, *Report of a Sale or Exchange of Certain Partnership Interests*, with respect to each section 751(a) exchange. Section 1.6050K-1(b) requires the Form 8308 to include the following information: (1) the names, addresses, and taxpayer identification numbers of the transferee and transferor in the exchange and of the partnership filing the return; (2) the date of the exchange; and (3) such other information as may be required by Form 8308 or its instructions. Section 1.6050K-1(f)(1) requires a partnership to file Form 8308 as an attachment to its Form 1065, *U.S. Return of Partnership Income*, for the partnership's taxable year that includes the last day of the calendar year in which the section 751(a) exchange took place.

Section 6050K(b) requires a partnership to provide certain information to transferors and transferees that are parties to a section 751(a) exchange on or before January 31 of the year following the calendar year of the section 751(a) exchange. Among other things, the information provided to each transferor and transferee must include the information required to be shown on the partnership's return under section 6050K(a) with respect to such person.

Section 6050K(c)(1) provides that the transferor of the partnership interest must notify the partnership of any exchange described in section 6050K(a). Under section 6050K(c)(2), a partnership is not required to make a return under section 6050K with respect to any exchange until the partnership is notified of such exchange.

Section 1.6050K-1(c)(1) clarifies that each partnership that is required to file a Form 8308 must furnish a statement to the transferor and transferee by the later of (1) January 31 of the year following the calendar year in which the section 751(a) exchange occurs, or (2) 30 days after the partnership receives notice of the exchange as specified under section 6050K(c) and §1.6050K-1(e). A partnership generally must use a copy of the completed Form 8308 as the required statement.

On November 30, 2020, the Treasury Department and the IRS published in the ***Federal Register*** final regulations (TD 9926, 85 FR 76910) that added §1.6050K-1(c)(2) to require a partnership to furnish to a transferor partner the information necessary for the transferor to make the transferor partner's required statement in §1.751-1(a)(3). Section 1.751-1(a)(3) requires a transferor partner in a section 751(a) exchange to submit with the transferor partner's income tax return for the taxable year in which the sale or exchange occurs a statement separately stating the date of the sale or exchange, the amount of any gain or loss attributable to section 751 property, and the amount of any gain or loss attributable to capital gain or loss on the sale of the

partnership interest. After the promulgation of §1.6050K-1(c)(2), the IRS revised Form 8308.

Part IV of the revised Form 8308 requires a partnership to report, among other items, the partnership's gain or loss from a deemed sale under section 751 and the transferor partner's share of such amount. As a result of the changes to Part IV of Form 8308, a partnership's obligation to report the gain or loss attributable to a section 751(a) exchange to a transferor is effectively accelerated to January 31 of the year following the section 751(a) exchange, even though §1.751-1(a)(3) generally does not require the transferor partner to report such information to the IRS until the transferor partner files the partner's income tax return for the taxable year in which the sale or exchange occurs, the due date of which can be several months after January 31.

Following the revisions to Form 8308, the Treasury Department and the IRS received comments from stakeholders that many partnerships are unable to furnish the information required in Part IV of the Form 8308 to transferors and transferees by the January 31 due date because, in many cases, partnerships do not have all the information required by Part IV of the Form 8308 by January 31 of the year following the calendar year in which the section 751(a) exchange occurred.

On January 11, 2024, the IRS published Notice 2024-19, 2024-5 I.R.B. 627, which provided limited relief from penalties under section 6722 of the Code for partnerships that failed to furnish a completed Part IV of Form 8308 by January 31, 2024, for section 751(a) exchanges during calendar year 2023. Penalty relief in Notice 2024-19 was contingent on the partnership (1) timely and correctly furnishing to the transferor and transferee a copy of Parts I, II, and III of Form 8308, or a statement that includes the same information, by the later of January 31, 2024, or 30 days after the partnership is notified of the section 751(a) exchange, and (2) furnishing to the transferor and transferee a copy of the complete Form 8308, including Part IV, or a

statement that includes the same information and any additional information required under §1.6050K-1(c), by the later of (a) the due date of the partnership's Form 1065 (including extensions), or (b) 30 days after the partnership is notified of the section 751(a) exchange. On December 13, 2024, the IRS published Notice 2025-2, 2025-3 I.R.B. 418, which extended the relief provided in Notice 2024-19 for partnerships that fail to complete Part IV of Form 8308 by January 31, 2025, with respect to section 751(a) exchanges occurring during calendar year 2024.

After considering stakeholder feedback regarding the undue burdens imposed by §1.6050K-1(c)(2) after the revision of Form 8308, the Treasury Department and the IRS are issuing these proposed regulations to propose the removal of §1.6050K-1(c)(2).

Explanation of Provisions

The proposed regulations would remove §1.6050K-1(c)(2) to eliminate the requirement that partnerships furnish the information required in Part IV of the Form 8308 by January 31 of the year following the calendar year in which the section 751(a) exchange occurred. The proposed regulations would also modify §1.6050K-1(c)(1) by removing the reference to a “completed copy of Form 8308” and replacing it with a reference to “a copy of Form 8308 filled out in accordance with the instructions to the form.” In addition, the Treasury Department and the IRS would update the instructions for Form 8308 to provide that only the information in Parts I, II, and III is required by the due dates of section 6050K.

As a result of the proposed changes to §1.6050K-1 and the associated changes in the instructions to Form 8308, a partnership would be required to furnish the information reported on only Parts I, II, and III of Form 8308, or a statement that includes the same information, to the transferor and transferee in a section 751(a) exchange by the later of (1) January 31 of the year following the calendar year in which

the section 751(a) exchange occurred, or (2) 30 days after the partnership has received notice of the exchange as specified under section 6050K and §1.6050K-1.

Further, the Treasury Department and the IRS would update the Instructions for Form 8308 to make clear that a partnership must file a completed Form 8308, including Part IV, as an attachment to its Form 1065. Accordingly, and pursuant to §1.6031(a)-1(a)(2), which provides that a partnership return must contain the information required by the prescribed form and the accompanying instructions, a partnership would be required to file the completed Form 8308, including Part IV, as an attachment to its Form 1065, for the taxable year of the partnership that includes the last day of the calendar year in which the section 751(a) exchange took place. Thus, the current requirement that a partnership file a completed Form 8308, including Part IV, as an attachment to its Form 1065 would remain unchanged by these proposed regulations.

Pursuant to §1.6031(b)-1T(a)(3), which provides, in part, that a partnership generally must furnish a written statement to each partner containing any additional information that may be required by form or instructions, the partnership will also continue to be required to report the information required of the transferor in §1.751-1(a)(3) to the transferor (including the information required in Part IV of the Form 8308), in the Schedule K-1 (Form 1065), *Partner's Share of Income, Deductions, Credits, etc.* issued to the transferor partner as provided by the Form and Instructions to the Schedule K-1 (Form 1065).

Finally, the proposed regulations would modify §1.6050K-1(c)(1)(i) to clarify that the partnership will be providing to the IRS the information included on a substitute statement furnished in lieu of a Form 8308 under §1.6050K-1(c)(1).

Proposed Applicability Date

Section 1.6050K-1(c)(2) is proposed to be removed on the date these regulations are published as final regulations in the ***Federal Register***. The amendment to

§1.6050K-1(c)(1)(i) is proposed to apply to returns filed for taxable years ending on or after the date these regulations are published as final regulations in the ***Federal Register***. However, a partnership may rely on these proposed regulations, and the description of the anticipated changes to the instructions to Form 8308 contained in this preamble, with respect to section 751(a) exchanges occurring on or after January 1, 2025, and before the date these regulations are published as final regulations in the ***Federal Register***.

Special Analyses

I. Regulatory Planning and Review

These proposed regulations are not subject to review under section 6(b) of Executive Order 12866 pursuant to the Memorandum of Agreement (July 4, 2025) between the Treasury Department and the Office of Management and Budget (OMB) regarding review of tax regulations. Therefore, a regulatory impact assessment is not required.

The Executive Order 14192 designation for this rule is expected to be deregulatory.

II. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) generally requires that a Federal agency obtain the approval of the OMB before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. 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 control number. These proposed regulations do not impose a new or modify an existing collection of information.

III. Regulatory Flexibility Act

It is hereby certified that the proposed regulations would not have a significant economic impact on a substantial number of small entities pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6). This rule would affect partnerships for which there is a section 751(a) exchange (as defined in §1.6050K-1(a)(4)(i)). These proposed regulations would likely affect a substantial number of small entities organized as partnerships for Federal tax purposes, but the impact of the proposed regulations would be limited because the proposed regulations would delay the date by which partnerships must provide transferors of interests in the partnership the information necessary for the transferor to make the transferor's required statement under §1.751-1(a)(3). This delay would benefit the partnerships by providing additional time to furnish the information but would not have a significant economic impact. Accordingly, a regulatory flexibility analysis under the Regulatory Flexibility Act is not required. The Treasury Department and the IRS invite comments on the impact of the proposed regulations on small entities.

IV. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandate Reform Act of 1995 (UMRA) requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of \$100 million (updated annually for inflation). These proposed regulations do not include any Federal mandate that may result in expenditures by State, local, or Tribal governments or by the private sector in excess of that threshold.

V. Executive Order 13132: Federalism

Executive Order 13132 (Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State and local governments, and is not required by statute, or preempts State

law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. These proposed regulations do not have federalism implications and do not impose substantial, direct compliance costs on State and local governments or preempt State law within the meaning of the Executive order.

VI. Small Business Administration

Pursuant to section 7805(f), this notice of proposed rulemaking has been submitted to the Chief Counsel for the Office of Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Request for a Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to comments that are submitted timely to the IRS as prescribed in the preamble under the **ADDRESSES** section. The Treasury Department and the IRS request comments on all aspects of the proposed regulations. Any comments submitted will be made available at <https://www.regulations.gov> or upon request. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the ***Federal Register***.

Statement of Availability of IRS Documents

IRS notices and other guidance cited in this preamble are published in the Internal Revenue Bulletin (or Cumulative Bulletin) and are available from the Superintendent of Documents, U.S. Government Publishing Office, Washington, DC 20402, or by visiting the IRS website at <https://www.irs.gov>.

Drafting Information

The principal authors of these proposed regulations are Jeremy Brown and Benjamin Weaver of the Office of Associate Chief Counsel (Passthroughs, Trusts and Estates). However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, the Treasury Department and IRS propose to amend 26 CFR part 1 as follows:

PART 1--INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

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

* * * * *

Section 1.6050K-1 also issued under 26 U.S.C. 6050K(a).

* * * * *

Par. 2. Section 1.6050K-1 is amended by:

1. Adding a heading for paragraph (c);
2. Revising the introductory text of paragraph (c)(1);
3. Revising paragraph (c)(1)(i);
4. Removing paragraph (c)(2) and redesignating paragraph (c)(3) as new paragraph (c)(2); and
5. Revising paragraph (h).

The revisions read as follows:

§1.6050K-1 Returns relating to sales or exchanges of certain partnership interests.

* * * * *

(c) *Statement to be furnished to transferor and transferee—*(1) *In general.* Every partnership required to file a return under paragraph (a) of this section must furnish to each person whose name is required to be set forth in such return a written statement on or before January 31 of the calendar year following the calendar year in which the section 751(a) exchange occurred to which the return under paragraph (a) relates (or, if later, 30 days after the partnership is notified of the exchange as defined in paragraph (e) of this section). The partnership must use a copy of the Form 8308, filled out in accordance with the instructions accompanying the form, as a statement unless the Form 8308 contains information with respect to more than one section 751(a) exchange (see paragraph (a)(3) of this section). If the partnership does not use a copy of Form 8308 as a statement, the statement shall include the information required to be shown on Form 8308 with respect to the section 751(a) exchange to which the person to whom the statement is furnished is a party. In addition, it shall state that—

(i) The information shown on the statement will be supplied to the Internal Revenue Service.

* * * * *

(h) *Applicability date.* Paragraphs (c)(1) introductory text and (c)(1)(i) of this section apply to returns filed for taxable years ending on or after [date of publication of final regulations in the ***Federal Register***]. Paragraph (c)(2) of this section applies to returns filed on or after November 30, 2020. Paragraph (d)(3) of this section applies to transfers that occur on or after November 30, 2020.

Edward T. Killen,

Acting Chief Tax Compliance Officer.

[FR Doc. 2025-15750 Filed: 8/18/2025 8:45 am; Publication Date: 8/19/2025]