



DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 10048]

RIN 1545-BR54

Returns Relating to Sales or Exchanges of Certain Partnership Interests

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

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

DATES: *Effective date:* These regulations are effective on [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

Applicability date: For dates of applicability, see §1.6050K-1(h).

FOR FURTHER INFORMATION CONTACT: Benjamin Weaver, (202) 317-6850 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Authority

This document contains final regulations amending the Income Tax Regulations (26 CFR part 1) under section 6050K of the Internal Revenue Code (Code) by removing §1.6050K-1(c)(2).

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

I. Statutory and Regulatory 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). Prior to its modification by these final regulations, §1.6050K-1(c)(1) generally required a partnership to use a copy of the completed Form 8308 as the required statement.

In addition, prior to its removal by these final regulations, §1.6050K-1(c)(2) required 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. Consistent with §1.6050K-1(c)(2), Part IV of 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.

The Department of the Treasury (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 prescribed by §1.6050K-1(c)(1) 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.

II. Proposed Regulations

In response to those comments, on August 19, 2025, the Treasury Department and the IRS published a notice of proposed rulemaking (REG-108822-25) in the ***Federal Register*** (90 FR 40269) to propose the removal of §1.6050K-1(c)(2) (proposed regulations). The proposed regulations also proposed to 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 preamble to the proposed regulations explained that 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. The instructions to Form 8308 were updated on November 5, 2025.

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 preamble to the proposed regulations explained that 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. The update to the Form 8308 instructions reflects this. 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 requirement that a partnership file a completed Form 8308, including Part IV, as an attachment to its Form 1065 would remain unchanged by the proposed regulations.

The preamble to the proposed regulations further explained that, pursuant to §1.6031(b)-1T(a)(3), 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).

The preamble to the proposed regulations stated that §1.6050K-1(c)(2) was proposed to be removed on the date the regulations are published as final regulations in the ***Federal Register***. The amendment to §1.6050K-1(c)(1)(i) was proposed to apply to returns filed for taxable years ending on or after the date the regulations are published as final regulations in the ***Federal Register***. The preamble to the proposed regulations stated that a partnership may rely on the proposed regulations, and the description of the anticipated changes to the instructions to Form 8308 contained in the preamble to the proposed regulations, with respect to section 751(a) exchanges occurring on or after January 1, 2025, and before the date the regulations are published as final regulations in the ***Federal Register***.

Summary of Comments and Explanation of Revisions

The Treasury Department and IRS did not receive any comments pertaining to the proposed regulations, and no public hearing was requested or held. Accordingly, these final regulations adopt the proposed regulations without change.

Special Analyses

I. Regulatory Planning and Review

These final 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 final regulations do not impose a new collection of information or modify an existing collection of information.

III. Regulatory Flexibility Act

It is hereby certified that the final regulations will 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). These final regulations affect partnerships for which there is a section 751(a) exchange (as defined in §1.6050K-1(a)(4)(i)). These final regulations will likely affect a substantial number of small entities organized as partnerships for Federal tax purposes, but the impact of the final regulations is limited because the final regulations 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 benefits the partnerships by providing additional time to furnish the information but will not have a significant economic impact. Accordingly, a regulatory flexibility analysis under the Regulatory Flexibility Act is not required.

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 final 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 final 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) of the Code, the proposed rule preceding these final regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business. No comments were received from the Chief Counsel for Advocacy of the Small Business Administration.

VII. Congressional Review Act

Pursuant to the Congressional Review Act (5 U.S.C. 801 et seq.), the Office of Information and Regulatory Affairs designated this rule as not a “major rule,” as defined by 5 U.S.C. 804(2).

Drafting Information

The principal author of these final regulations is 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.

Amendments to the Regulations

Accordingly, the Treasury Department and IRS 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 * * *

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

1. Adding a heading for paragraph (c);
2. Revising the paragraph heading and 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 addition and 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) of this section 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,

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(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 **[INSERT DATE OF PUBLICATION 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.

Frank J. Bisignano,

Chief Executive Officer.

Approved: April 29, 2026.

Kenneth J. Kies,

Assistant Secretary of the Treasury (Tax Policy).

