

TD 9450. Information Reporting for Lump-Sum Timber Sales

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final Regulations.

SUMMARY: This document contains final regulations that provide guidance regarding the information reporting requirements contained in section 6045(e) of the Internal Revenue Code (Code) on sales or exchanges of standing timber for lump-sum (outright) payments. The final regulations amend §1.6045-4 of the Income Tax Regulations to require real estate reporting persons, as defined in section 6045(e)(2) of the Code, to report lump-sum payments received by sellers (landowners) for sales or exchanges of standing timber. The final regulations do not change the information reporting requirements that currently apply to sales or exchanges of standing timber for pay-as-cut (contingent) payments under section 6050N of the Code.

DATES: Effective date: These regulations are effective on May 28, 2009.

Applicability date: The amendments to paragraphs (b)(2)(i)(E), (b)(2)(ii) and (c)(2)(i) of §1.6045-4 shall apply to sales or exchanges of standing timber for lump-sum payments completed after May 28, 2009.

FOR FURTHER INFORMATION CONTACT: Timothy S. Sheppard of the Office of Chief Counsel (Procedure and Administration), at (202) 622-4910.

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 (OMB) in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) under control number 1545-1085. The collection of information in these final regulations is in §1.6045-4. This information is required by the IRS to verify compliance with income reporting obligations with respect to lump-sum sales of timber. This information will be used to enable the IRS to verify that a taxpayer is reporting the correct amount of income.

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 OMB control number.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and return information are confidential, as required by 26 U.S.C. 6103.

Background

This document contains amendments to the Income Tax Regulations under section 6045(e) of the Code. These amendments provide that sales or exchanges of standing

timber for lump-sum payments are "reportable real estate" transactions under §1.6045-4(b)(2) and, thus, shall be reported as provided in section 6045(e) and the regulations.

On November 29, 2007, a notice of proposed rulemaking (REG-155669-04) was published in the Federal Register (72 FR 67589). No comments were received from the public in response to the notice of proposed rulemaking and no public hearing was requested or held. Accordingly, the proposed regulations are adopted by this Treasury decision. The final regulations make certain minor clarifying changes to the rules of the proposed regulations.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also 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 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 collection of information burden imposed by these regulations flows directly from section 6045(e) of the Code. Moreover, requiring information reporting as described in the preamble with regard to sales or exchanges of standing timber for lump-sum payments imposes minimal burden in time or expense. Therefore, 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 notice of proposed rulemaking preceding this regulation has been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of these regulations is Timothy S. Sheppard of the Office of Associate Chief Counsel (Procedure and Administration). However, other personnel from the IRS and the Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended 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 ***

Par. 2. Section 1.6045-4 is amended by:

1. Redesignating paragraph (b)(2) introductory text as (b)(2)(i) introductory text.

2. In redesignated paragraph (b)(2)(i), further redesignating paragraphs (2)(i), (2)(ii), (2)(iii), and (2)(iv) as paragraphs (2)(i)(A), (2)(i)(B), (2)(i)(C), and (2)(i)(D), respectively.

3. Redesignating the undesignated text after newly designated paragraph (b)(2)(i)(D) as paragraph (b)(2)(ii) and adding a sentence at the end of newly-designated paragraph (b)(2)(ii).

4. Adding new paragraph (b)(2)(i)(E).

5. Revising paragraphs (c)(2)(i) and (s).

The revisions and additions read as follows:

Reg § 1.6045-4.

§1.6045-4 Information reporting on real estate transactions with dates of closing on or after January 1, 1991. *****

(b) ***

(2)*** (i) ***

(E) Any non-contingent interest in standing timber.

(ii) *** Further, the term "ownership interest" includes any contractual interest in a sale or exchange of standing timber for a lump-sum payment that is fixed and not contingent.

(c) ***

(2) ***

(i) An interest in surface or subsurface natural resources (for example, water, ores, and other natural deposits) or crops, whether or not such natural resources or crops are severed from the land. For purposes of this section, the terms "natural resources" and "crops" do not include standing timber. *****

(s) Effective/applicability date. This section applies for real estate transactions with dates of closing (as determined under paragraph (h)(2)(ii) of this section) that occur on or after January 1, 1991. The amendments to paragraphs (b)(2)(i)(E), (b)(2)(ii) and (c)(2)(i) of this section shall apply to sales or exchanges of standing timber for lump-sum payments completed after May 28, 2009.

Linda E. Stiff
Deputy Commissioner for Services and Enforcement.

Approved: May 15, 2009

Bernard J. Knight, Jr.
Acting General Counsel of the Treasury.