



## News Release

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## IRS Eases Reporting Burden on Corporations and Shareholders

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WASHINGTON — The Internal Revenue Service today announced new regulatory revisions that will reduce the reporting burden on corporations and shareholders while also making it easier for them to file their tax returns electronically.

The announcement is part of an on-going effort by the IRS to remove impediments to e-file from its regulations. In addition, the agency took the opportunity to review a number of regulations to simplify, clarify and eliminate a number of reporting requirements that unnecessarily added to the burden of corporations and shareholders.

“This is a win-win situation for businesses, shareholders and the IRS,” said Commissioner Mark W. Everson. “Businesses and shareholders will be relieved of excessive reporting obligations that really no longer made sense while the IRS will still receive the information it needs for compliance. As a bonus, a number of roadblocks to IRS e-file also will be removed.”

The changes apply to more than 20 regulations involving corporate and shareholder reporting requirements. A number of the revisions apply to rules governing corporate transactions, such as transfers to a corporation, mergers, spin-offs or liquidations.

For example, Internal Revenue Code Section 351 covers transfers of property to corporations. The code section applies not only to transfers of property to large multinational corporations but also to transfers of property to small corporations, such as those formed when a partnership or sole proprietorship opts to become a corporation.

The regulations for Section 351 imposed reporting requirements on anyone who owned a share of a company involved in a Section 351 transfer and on the company itself. Those reporting requirements involved 18 information items from shareholders and 20 information items from corporations.

The revised regulations will limit the Section 351 reporting requirement to only those stockholders who own either 5 percent or more of a public company or 1 percent or more of a privately held company – drastically reducing the number of stockholders who must file a report. Also, the revised regulations will reduce the reportable information to four items: The name and employer identification of the company, the date of the asset transfer, the fair market value and basis of the assets transferred, and the date of any IRS private letter ruling.

In this example, the IRS still would receive information to help determine compliance, but the amount of information, and burden on taxpayers, would be greatly reduced. It also would provide a more realistic reporting requirement for shareholders. Indeed, many shareholders will have no reporting requirement at all.

The revised regulations also eliminate several requirements for taxpayers to provide their signatures, allowing more taxpayers to file their returns electronically.

Most large corporations and tax-exempt organizations are now required to file their tax returns electronically.

The popularity of IRS e-file is increasing, particularly among individual taxpayers. So far this year, more than 70 million out of 124 million taxpayers have filed their Form 1040 electronically, a new record for the 20-year-old electronic filing program.