

# Prop. Regs. Withdrawn on Information Returns for Acquisitions

by Robert W. Wood • Bancroft & McAlister

**P**roposed regulations were released in July 1990 that elucidated reporting requirements under Section 6043(c). That provision deals with reporting by corporations that undergo a change in control or have a substantial change in capital structure.

Section 6043(c) was added by the Revenue Reconciliation Act of 1990, and imposed reporting

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requirements for transactions occurring after 3/31/90. Despite this effective date, the provision does not kick in until the Treasury specifies the requirements.

In withdrawing the proposed regulations, the Service indicated that comments on them pointed out various infirmities of the rules. Faced with such criticism of the rules, the Service considered how to narrow the scope of reportable transactions. It concluded that there would be a heavy burden on taxpayers, potentially subjecting them to the penalties provided by Section 6652 for not reporting transactions.

The Service now says that the value of the information solicited by the proposed regulations under Section 6043(c) does not justify the burden to the public in complying with the rules. The Section 6043(c) proposed regulations had imposed filing requirements on a variety of transactions involving a stock value of \$10 million or more.

**Not the Last Word**

Even though the Service's withdrawal of the proposed regulations is good news, this is not the last word on these reporting requirements. Indeed, the Service stated that it may issue regulations under Section 6043(c) if it becomes apparent that the information is needed to properly administer the tax system. For the moment, however, one need not worry about which transactions must be reported, nor about the use to which the reported information will be put.

Until new regulations come out, Section 6043(c) provides some guidance. Corporations participating in the described transactions must file a return (one required by regulations) reporting the following information:

- The identities of the parties to the transaction.
- The fees involved.
- Any changes to the capital structure involved.
- Any other information that the Secretary of the Treasury may require.

The pressure is certainly off now that the proposed regulations have been withdrawn. Since the penalty for failure to comply was substantial—\$500 per day up to a maximum of \$100,000—this is indeed good news. ■

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