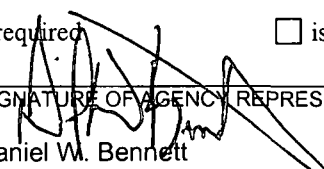


<b>REQUEST FOR RECORDS DISPOSITION AUTHORITY</b>		JOB NUMBER N1-058-08-2	
To: NATIONAL ARCHIVES & RECORDS ADMINISTRATION 8601 ADELPHI ROAD COLLEGE PARK, MD 20740-6001		Date received 11/14/07	
1. FROM (Agency or establishment) Department of the Treasury		NOTIFICATION TO AGENCY  In accordance with the provisions of 44 U.S.C. 3303a, the disposition request, including amendments, is approved except for items that may be marked "disposition not approved" or "withdrawn" in column 10.	
2. MAJOR SUBDIVISION Internal Revenue Service			
3. MINOR SUBDIVISION Large and Mid-Sized Business (LMSB)			
4. NAME OF PERSON WITH WHOM TO CONFER Tracee Taylor	5. TELEPHONE NUMBER (202) 283-9291	DATE 3/15/08	ARCHIVIST OF THE UNITED STATES Allen Wainwright
6. AGENCY CERTIFICATION I hereby certify that I am authorized to act for this agency in matters pertaining to the disposition of its records and that the records proposed for disposal on the attached <u>3</u> page(s) are not needed now for the business for this agency or will not be needed after the retention periods specified; and that written concurrence from the General Accounting Office, under the provisions of Title 8 of the GAO Manual for Guidance of Federal Agencies,  <input checked="" type="checkbox"/> is not required <input type="checkbox"/> is attached; or <input type="checkbox"/> has been requested.			
DATE 11/6/2007	SIGNATURE OF AGENCY REPRESENTATIVE  Daniel W. Bennett		TITLE IRS Records Officer National Office, OS:A:RE:L Washington, DC 20224
7. ITEM NO.	8. DESCRIPTION OF ITEM AND PROPOSED DISPOSITION IRM 1.15.23, Records Control Schedule for Tax Administration - Examination  New Item 80: PFIC Taint Removal Election (Form 8621-A) File  See attached.  Future IRS Updates: * Insert Reserved Items 71-79 * Add Form 8621-A to Forms Inventory	9. GRS OR SUPERSEDED JOB CITATION	10. ACTION TAKEN (NARA USE ONLY)

LC 4/4/08 Copies sent to agency, NWMW, & ROR

**Background:**

*Tax code sections 1291 through 1297 provide the rules for U.S. persons who invest in passive foreign investment companies. A foreign corporation is considered a passive foreign investment company, or a PFIC, for these purposes if either one of two tests is satisfied: the Income Test or the Asset Test.*

*Under the Income Test, a foreign corporation is considered a PFIC if 75 % or more of the foreign corporation's gross income for the taxable year consist of passive income. Passive income includes dividends, interest, royalties, rents, and annuities.*

*Under the Asset Test, a foreign corporation is considered a PFIC if 50 % of the foreign corporation's assets produce, or are held to produce, passive income.*

*The IRS handles the profits of investments in PFICs differently than their domestic counterparts, so U.S. investors face significant tax implications should they hold ownership of a PFIC. Generally, a U.S. mutual fund is treated in a manner similar to a partnership with respect to the income and the gains of the fund. The income is passed through to the shareholders in proportion to their holdings and reported to the IRS on a Form 1099 by the mutual fund. A copy of the report is also sent to the shareholder to use to prepare his tax return.*

*Foreign investment companies or mutual funds are not subject to this kind of reporting and disclosure. As a result, the U.S. puts the burden on the shareholder to determine their share of the income of the investment company.*

*A U.S. shareholder in a PFIC must include as ordinary income the allocated gains or excess distributions in its gross income for the taxable years in which the allocations are made. The tax liability is determined at the highest rate of tax in effect for the applicable taxable year. Additionally, the deferred tax liability from the allocations are treated as underpayments of tax, and interest charges are imposed on the deferred taxes on the allocated gains and excess distributions.*

*If at any time during a shareholder's holding period, a foreign corporation was a PFIC, the stock retains*

*its character as PFIC stock, even if the corporation ceases to be a PFIC under the income and asset tests, unless the shareholder elects to purge the PFIC taint. After so electing, the taxpayer shareholder is treated as having sold its stock in the foreign corporation on the termination date, the last day of the corporation's last tax year during which it was a PFIC. After the election, the stock is not PFIC stock.*

*A timely purging election is made on a Form 8621 that is filed with an income tax return. Form 8621-A is used only to make a late purging election under section 1298(b)(1), in the case of:*

- a shareholder of a former PFIC, after 3 years from the due date, as extended, of the tax return for the taxable year that includes the termination date, or*
- a shareholder of a section 1297(e) PFIC, after 3 years from the due date, as extended, of the tax return for the taxable year that includes the CFC (Controlled Foreign Corporation) qualification date.*

*PFIC taint removal elections (Form 8621-A elections) are unique in that the payment that accompanies them relates to years for which the statute of limitations has expired. Even though the computation methodology is the same as a timely election on Form 8621, the payment is not a tax and Forms 8621-A are filed separately from income tax returns.*

*The Form 8621-A offers relief to certain taxpayers that missed the opportunity to make a timely election and includes a closing agreement to eliminate any prejudice to the US government's interests as a consequence of the taxpayer's inability to file an amended return. This forever removes the PFIC character for the electing shareholder.*

**IRM 1.15.23, New Item 80**

**PFIC Taint Removal Election (Form 8621-A) File**

**Description:**

Used by shareholders of a former Passive Foreign Investment Company (PFIC) or a Section 1297(e) PFIC to make a late purging election under Section 1298(b)(1) to terminate their PFIC status.

Includes Form 8621-A (*Return by a Shareholder Making Certain Late Elections To End Treatment as a Passive Foreign Investment Company*) and attached documents considered in the mandatory review of the election, a duplicate original closing agreement (if the election is accepted the taxpayer is provided an executed original closing agreement), and other administrative documents associated with processing the election. These include review checksheets, activity logs and case history worksheets, document requests, and additional correspondence with the taxpayer.

**Disposition:** Temporary. Cut off at end of calendar year in which case is closed. Transfer to FRC after cutoff. Destroy 50 years after cutoff.