



**Note:** *The draft you are looking for begins on the next page.*

## **Caution: DRAFT—NOT FOR FILING**

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms.** We incorporate all significant changes to forms posted with this coversheet. However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and pubs usually have some additional changes before their final release. Early release drafts are at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). Also see [IRS.gov/Forms](https://www.irs.gov/Forms).

Most forms and publications have a page on IRS.gov: [IRS.gov/Form1040](https://www.irs.gov/Form1040) for Form 1040; [IRS.gov/Pub501](https://www.irs.gov/Pub501) for Pub. 501; [IRS.gov/W4](https://www.irs.gov/W4) for Form W-4; and [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA) for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or pubs at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). Include “NTF” followed by the form or pub number (for example, “NTF1040”, “NTFW4”, “NTF501”, etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each “NTF” message. If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click [here](#).

# Instructions for Form 8275-R



Department of the Treasury  
Internal Revenue Service

(Rev. November 2024)

## Regulation Disclosure Statement

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form 8275-R and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8275R](https://www.irs.gov/Form8275R).

## General Instructions

### Purpose of Form

Form 8275-R is used by taxpayers and tax return preparers to disclose positions taken on a tax return that are contrary to Treasury regulations. The form is filed to avoid the portions of the accuracy-related penalty due to disregard of regulations or to a substantial understatement of income tax for non-tax shelter items if the return position has a reasonable basis. It can also be used for disclosures relating to the economic substance penalty and the preparer penalties for tax understatements due to positions taken contrary to regulations.



*The portion of the accuracy-related penalty attributable to the following types of misconduct cannot be avoided by disclosure on Form 8275-R.*

- *Negligence.*
- *Disregard of rules (other than regulations).*
- *Any substantial understatement of income tax on a tax shelter item.*
- *Any substantial or gross valuation misstatement (including misstatements attributable to non-arm's length prices) under chapter 1.*
- *Any substantial overstatement of pension liabilities.*
- *Any substantial estate or gift tax valuation understatements.*
- *Any claim of tax benefits from a transaction lacking economic substance (within the meaning of section 7701(o)) or failing to meet the requirements of any similar rule of law.*
- *Any otherwise undisclosed foreign financial asset understatement.*
- *Any inconsistent estate basis.*
- *Any overstatement of the deduction provided in section 170(p).*
- *Any disallowance of a deduction because of section 170(h)(7).*

Because of the importance to the self-assessment system of disclosing positions contrary to regulations, the requirements for making such disclosures are stringent.

- The disclosure is adequate only if it is made separately on a Form 8275-R.
- The penalty for reckless or intentional disregard of a regulation can be avoided by disclosure only if the position

represents a good-faith challenge to the validity of the regulation and has a reasonable basis.

Instead of Form 8275-R, use Form 8275, Disclosure Statement, for the disclosure of items or positions which are not contrary to regulations but which are not otherwise adequately disclosed.

### Who Should File

Form 8275-R is filed by individuals, corporations, pass-through entities, and tax return preparers.

For items attributable to a pass-through entity, disclosure should be made on the tax return of the entity. If the entity doesn't make the disclosure, the partner (or shareholder, etc.) can make adequate disclosure of these items.

### How To File

When a return position is contrary to regulations, you must file Form 8275-R. File all Forms 8275-R with your original tax return. Keep a copy for your records. You may also be able to file Forms 8275-R with an amended return. See Regulations sections 1.6662-4(f)(1) and 1.6664-2(c)(3) for more information.

To adequately disclose items reported by a pass-through entity, you must complete and file a separate Form 8275-R for items reported by each entity.

To adequately disclose a position or positions related to more than one foreign entity, you must complete and file a separate Form 8275-R for each foreign entity.

### Carryovers, carrybacks, and recurring items.

Carryover items must be disclosed in the tax year in which they originated. You don't have to file another Form 8275-R for those items for the tax years in which the carryover is taken into account.

Carryback items must be disclosed for the tax year in which they originated. You don't have to file another Form 8275-R for those items for the tax years in which the carryback is taken into account.

However, if you disclose items that are of a recurring nature (such as depreciation expense), you must file Form 8275-R for each tax year in which the item occurs.

If you are disclosing a position that is contrary to a regulation, and the position relates to a reportable transaction, as defined in Regulations section 1.6011-4(b), you must also make the disclosure, as indicated in Regulations section 1.6011-4(d). See Form 8886, Reportable Transaction Disclosure Statement, and its instructions; Notice 2006-6, 2006-5 I.R.B. 385, available at [IRS.gov/irb/2006-05\\_IRB/ar10.html](https://www.irs.gov/irb/2006-05_IRB/ar10.html); and Notice 2010-62, 2010-40 I.R.B. 411, available at [IRS.gov/irb/2010-40\\_IRB/ar09.html](https://www.irs.gov/irb/2010-40_IRB/ar09.html).

## Accuracy-Related Penalty

Generally, the accuracy-related penalty is 20% of any portion of a tax underpayment attributable to:

1. Negligence or disregard of rules or regulations;
2. Any substantial understatement of income tax;
3. Any substantial valuation misstatement under chapter 1 of the Internal Revenue Code;
4. Any substantial overstatement of pension liabilities;
5. Any substantial estate or gift tax valuation understatement;
6. Any claim of tax benefits from a transaction lacking economic substance, as defined by section 7701(o), or failing to meet the requirements of any similar rule of law.
7. Any undisclosed foreign financial asset understatement;
8. Any inconsistent estate basis;
9. Any overstatement of the deduction provided in section 170(p); or
10. Any disallowance of a deduction because of section 170(h)(7).

The penalty is 40% of any portion of a tax underpayment attributable to one or more gross valuation misstatements in (3), (4), (5), or (10) above if the applicable dollar limitation under section 6662(h)(2) is met. The penalty also increases to 40% for failing to adequately disclose a transaction that lacks economic substance in (6) above. See *Economic substance*, below. The penalty is 40% of any portion of an underpayment that is attributable to any undisclosed foreign financial asset understatement in (7) above. The penalty is 50% of any portion of an underpayment attributable to one or more overstatements of the deduction provided in section 170(p) in (9) above.

**Economic substance.** To satisfy the disclosure requirements under section 6662(i), you may adequately disclose with a timely filed original return (determined with regard to extensions) or a qualified amended return (as defined under Regulations section 1.6664-2(c)(3)) the relevant facts affecting the tax treatment of the transaction.

**Note.** If you filed a Schedule UTP (Form 1120), Uncertain Tax Position Statement, you may not need to file Form 8275-R to satisfy the disclosure requirements of section 6662(i). For more information, see the Instructions for Schedule UTP (Form 1120), Uncertain Tax Position Statement.

**Reasonable cause exception.** Generally, no accuracy-related penalty will be imposed on any portion of an underpayment if you show that there was reasonable cause for that portion and that you acted in good faith with respect to that portion.



*The reasonable cause and good faith exception doesn't apply to any portion of an underpayment attributable to a transaction that lacks economic substance under section 7701(o).*

If you failed to keep proper books and records or failed to properly substantiate items, you cannot avoid the penalty by disclosure.

**Adequate disclosure.** Generally, you can avoid the disregard of regulations and substantial understatement portions of the accuracy-related penalty if the position is adequately disclosed and the position has at least a reasonable basis. To avoid the disregard of regulations portion of the accuracy-related penalty, the position taken must also represent a good-faith challenge to the validity of the regulation. See Regulations section 1.6662-3(c)(1).

**Reasonable basis.** Reasonable basis is a relatively high standard of tax reporting that is significantly higher than not frivolous or not patently improper. The reasonable basis standard isn't satisfied by a return position that is merely arguable.

If the return position is reasonably based on one of the authorities set forth in Regulations section 1.6662-4(d)(3) (iii) (taking into account the relevance and persuasiveness of the authorities, and subsequent developments), the return position will generally satisfy the reasonable basis standard even though it may not satisfy the substantial authority standard, as defined in Regulations section 1.6662-4(d)(2). For details, see Regulations sections 1.6662-4(d) and 1.6662-3(b)(3).

If you failed to keep proper books and records or failed to properly substantiate the items, you cannot avoid the penalty by disclosure.

## Substantial Understatement

An understatement is the excess of:

1. The amount of tax required to be shown on the return for the tax year, over
2. The amount of tax imposed which is shown on the return for the tax year, reduced by any rebates.

There is a substantial understatement of income tax if the amount of the understatement for any year exceeds the greater of:

1. 10% of the tax required to be shown on the return for the tax year, or
2. \$5,000.

An understatement of a corporation (other than an S corporation or a personal holding company, as defined in section 542) is substantial if it exceeds in any year the lesser of:

1. 10% of the tax required to be shown on the return for the tax year (or, if greater, \$10,000), or
2. \$10 million.

**Reduction of understatement.** The amount of the understatement will be reduced by the part that is attributable to the following items.

- An item (other than a tax shelter item) for which there was substantial authority for the treatment claimed at the time the return was filed or on the last day of the tax year to which the return relates.
- An item (other than a tax shelter item) that is adequately disclosed on this form if there is a reasonable basis for the tax treatment of the item. (In no event will a corporation be treated as having a reasonable basis for its tax treatment

of an item attributable to a multi-party financing transaction entered into after August 5, 1997, if the treatment doesn't clearly reflect the income of the corporation.

For corporate tax shelter transactions (and for tax shelter items of other taxpayers for tax years ending after October 22, 2004), the only exception to the substantial understatement portion of the accuracy-related penalty is the reasonable cause exception. For more details, see [Reasonable cause exception](#), earlier; section 6662(d); and Regulations section 1.6664-4.

**Tax shelter items.** A tax shelter, for purposes of the substantial understatement portion of the accuracy-related penalty, is a partnership or other entity, plan, or arrangement, with a significant purpose to avoid or evade federal income tax. For transactions on or before August 5, 1997, a tax shelter is a partnership or other entity, plan, or arrangement, whose principal purpose is to avoid or evade federal income tax.

A tax shelter item is any item of income, gain, loss, deduction, or credit that is directly or indirectly attributable to the principal or significant purpose of the tax shelter to avoid or evade federal income tax.

### Tax Return Preparer Penalties

A preparer who files a return or claim for refund is subject to a penalty in an amount equal to the greater of \$1,000 or 50% of the income derived (or to be derived) by the tax return preparer, with respect to the return or claim, for taking a position which the preparer knew or reasonably should have known would understate any part of the liability if:

- There is or was no substantial authority for the position;
- The position is a tax shelter (as defined in section 6662(d)(2)(C)(ii)) or a reportable transaction to which section 6662A applies and it wasn't reasonable to believe that the position would more likely than not be sustained on its merits; or
- The position disclosed, as provided in section 6662(d)(2)(B)(ii), isn't a tax shelter or a reportable transaction to which section 6662A applies, and there was no reasonable basis for the position.

The penalty won't apply if it can be shown that there was reasonable cause for the understatement and that the preparer acted in good faith.

In cases where any part of the understatement of the liability is due to a willful attempt by the return preparer to understate the liability, or if the understatement is due to reckless or intentional disregard of rules or regulations by the preparer, the preparer is subject to a penalty equal to the greater of \$5,000 or 75% of the income derived (or to be derived) by the tax return preparer with respect to the return or claim. This penalty shall be reduced by the amount of the penalty paid by such person for taking an unreasonable position, or a position with no reasonable basis, as described immediately above.

A preparer isn't considered to have recklessly or intentionally disregarded a rule if a position is adequately disclosed and has a reasonable basis.

**Note.** For more information about the accuracy-related penalty and preparer penalties, and the means of avoiding

these penalties, see the regulations under sections 6662, 6664, and 6694.

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## Specific Instructions

Be sure to provide all of the information requested in Parts I, II, and III (if applicable). Your disclosure will be considered adequate if you file Form 8275-R and provide the required information in detail.

Use Part IV on page 2 if you need more space for Parts I and/or II. Include the corresponding part and line number from page 1. You can use a continuation sheet(s) if you need additional space. Be sure to put your name and identifying number on each sheet.

**Reference ID number.** If you are filing Form 8275-R to disclose a position related to a foreign entity for which an information return (such as Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations) is filed, enter on Form 8275-R the same reference ID number for the foreign entity that is entered on the information return.

If you are filing Form 8275-R to report a position or positions related to multiple foreign entities, file a separate Form 8275-R for each foreign entity.

### Part I

**Column (a).** Enter the full citation for each regulation for which you have taken a contrary position. The citation should specify the section number, including all designations of smaller units (lettered or numbered subsections, paragraphs, subparagraphs, and clauses) to which the contrary position relates. For example, enter "1.482-7(d)(1)(iii)" instead of "482 regs" or "1.482-7".

**Column (b).** Identify the item by name.

If any item you disclose is from a pass-through entity, you must identify the item as such. If you disclose items from more than one pass-through entity, you must complete a separate Form 8275-R for each entity. Also, see [How To File](#), earlier.

**Column (c).** Enter a complete description of the item(s) you are disclosing.

**Example.** If you are reporting entertainment expenses in column (b), then you must list the items for entertainment expenses in column (c), such as "theater tickets, catering expenses, and banquet hall rentals."

If you claim the same tax treatment for a group of similar items in the same tax year, enter a description identifying the group of items you are disclosing rather than a separate description of each item within the group.

**Columns (d) through (f).** Enter the location of the item(s) by identifying the form number or schedule in column (d), the line number in column (e), and the amount of the item(s) in column (f).

### Part II

Your disclosure must include the following.

1. A description of the relevant facts affecting the tax treatment of the item. To satisfy this requirement, you must include information that can reasonably be expected to apprise the IRS of the identity of the item, its amount, and

the nature of the controversy or potential controversy. Information concerning the nature of the controversy can include a description of the legal issues presented by the facts.

2. A statement explaining why you believe this regulation to be invalid.



*Unless provided otherwise in the General Instructions, earlier, your disclosure won't be considered adequate unless (1) and (2) above are provided using Form 8275-R. For example, your disclosure won't be considered adequate if you attach a copy of an acquisition agreement to your tax return to disclose the issues involved in determining the basis of certain acquired assets. If Form 8275-R isn't completed and attached to the return, the disclosure won't be considered valid even if the information in (1) and (2) above is provided using another method, such as a different form or an attached letter.*

### Part III

**Line 4.** Contact your pass-through entity if you don't know where its return was filed. However, for partners and S corporation shareholders, information for line 4 can be found on the Schedule K-1 that you received from the partnership or S corporation.

If the pass-through entity filed its return electronically using *e-file*, enter "e-file" on line 4.

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information if you wish to use this form to make adequate disclosure to avoid the portion of the accuracy-related penalty due to a substantial understatement of income tax

or disregard of regulations, or to avoid certain preparer penalties. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions 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 section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

<b>Recordkeeping</b> . . . . .	3 hr., 35 min.
<b>Learning about the law or the form</b> . . . . .	53 min.
<b>Preparing and sending the form to the IRS</b> . . . . .	59 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.