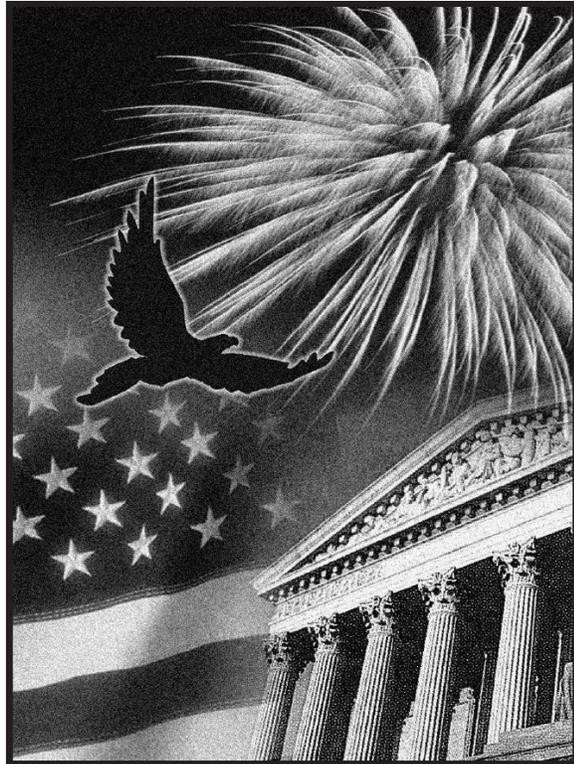


Publication 537

Installment Sales

For use in preparing **2023** Returns

Volume 2 of 2



Get forms and other information faster and easier at:

- [IRS.gov](https://www.irs.gov) (English)
- [IRS.gov/Korean](https://www.irs.gov/Korean) (한국어)
- [IRS.gov/Spanish](https://www.irs.gov/Spanish) (Español)
- [IRS.gov/Russian](https://www.irs.gov/Russian) (Русский)
- [IRS.gov/Chinese](https://www.irs.gov/Chinese) (中文)
- [IRS.gov/Vietnamese](https://www.irs.gov/Vietnamese) (Tiếng Việt)



Department of the Treasury
Internal Revenue Service

Publication 537 (Rev. 2023) Catalog Number 39288G
Department of the Treasury **Internal Revenue Service** www.irs.gov



Visit the Accessibility
Page on [IRS.gov](https://www.irs.gov)

This page is intentionally left blank

Internal Revenue Code sections 1274 and 483. If an installment sale contract doesn't provide for adequate stated interest, generally either section 1274 or section 483 will apply to the contract. These sections recharacterize part of the stated principal amount as interest. Whether either of these sections applies to a particular installment sale contract depends on several factors, including the total selling price and the type of property sold.

Determining whether section 1274 or section 483 applies. For purposes of determining whether section 1274 or section 483 applies to an installment sale contract, all sales or exchanges that are part of the same transaction (or related transactions) are treated as a single sale or exchange and all contracts arising from the same transaction (or a series of related transactions) are treated as a single contract. Also, the total consideration due under an installment sale

contract is determined at the time of the sale or exchange. Any payment (other than a debt instrument) is taken into account at its FMV.

Section 1274

Section 1274 applies to a debt instrument issued for the sale or exchange of property if any payment under the instrument is due more than 6 months after the date of the sale or exchange and the instrument doesn't provide for adequate stated interest. Section 1274, however, doesn't apply to an installment sale contract that's a cash method debt instrument (defined next) or that arises from the following transactions.

- A sale or exchange for which the total payments are \$250,000 or less.
- The sale or exchange of an individual's main home.
- The sale or exchange of a farm for \$1 million or less by an individual, an estate, a testamentary trust, a small business

corporation (defined in section 1244(c)(3)), or a domestic partnership that meets requirements similar to those of section 1244(c)(3).

- Certain land transfers between related persons (described later).

Cash method debt instrument. This is any debt instrument given as payment for the sale or exchange of property (other than new section 38 property) with a stated principal of \$4,810,600 (adjusted annually for inflation under section 1274A) or less if the following items apply.

1. The lender (holder) doesn't use an accrual method of accounting and isn't a dealer in the type of property sold or exchanged.
2. Both the borrower (issuer) and the lender jointly elect to account for interest under the cash method of accounting.

3. Section 1274 would apply except for the election in (2) above.

Land transfers between related persons.

The section 483 rules (discussed next) apply to debt instruments issued in a land sale between related persons to the extent the sum of the following amounts doesn't exceed \$500,000.

- The stated principal of the debt instrument issued in the sale or exchange.
- The total stated principal of any other debt instruments for prior land sales between these individuals during the calendar year.

The section 1274 rules, if otherwise applicable, apply to debt instruments issued in a sale of land to the extent the stated principal amount exceeds \$500,000, or if any party to the sale is a nonresident alien.

Related persons include an individual and the members of the individual's family and their spouses. Members of an individual's family

include the individual's spouse, brothers and sisters (whole or half), ancestors, and lineal descendants. Membership in the individual's family can be the result of a legal adoption.

Section 483

Section 483 generally applies to an installment sale contract that doesn't provide for adequate stated interest and isn't covered by section 1274. Section 483, however, generally doesn't apply to an installment sale contract that arises from the following transactions.

- A sale or exchange for which no payments are due more than 1 year after the date of the sale or exchange.
- A sale or exchange for \$3,000 or less.

Exceptions to Sections 1274 and 483

Sections 1274 and 483 don't apply under the following circumstances.

- An assumption of a debt instrument in connection with a sale or exchange or the acquisition of property subject to a debt instrument, unless the terms or conditions of the debt instrument are modified in a manner that would constitute a deemed exchange under Regulations section 1.1001-3.
- A debt instrument issued in connection with a sale or exchange of property if either the debt instrument or the property is publicly traded.
- A sale or exchange of all substantial rights to a patent, or an undivided interest in property that includes part or all substantial rights to a patent, if any amount is contingent on the productivity, use, or disposition of the property transferred. See chapter 2 of Pub. 544 for more information.

- An annuity contract issued in connection with a sale or exchange of property if the contract is described in
- section 1275(a)(1)(B) and Regulations section 1.1275-1(j).
- A transfer of property subject to section 1041 (relating to transfers of property between spouses or incident to divorce).
- A demand loan that is a below-market loan described in section 7872(c)(1) (for example, gift loans and corporation-shareholder loans).
- A below-market loan described in section 7872(c)(1) issued in connection with the sale or exchange of personal-use property. This rule applies only to the holder.

More information. For information on figuring unstated interest and OID and other special rules, see sections 1274 and 483 and the related regulations. In the case of an

installment sale contract that provides for contingent payments, see Regulations sections 1.1275-4(c) and 1.483-4.

Disposition of an Installment Obligation

A disposition generally includes a sale, exchange, cancellation, bequest, distribution, or transmission of an installment obligation. An installment obligation is the buyer's note, deed of trust, or other evidence that the buyer will make future payments to you.

If you're using the installment method and you dispose of the installment obligation, generally you'll have a gain or loss to report. It's considered gain or loss on the sale of the property for which you received the installment obligation. If the original installment sale produced ordinary income, the disposition of the obligation will result in ordinary income or loss. If the original sale resulted in a capital gain, the disposition of

the obligation will result in a capital gain or loss. If the original installment sale resulted in a section 1231 capital gain (or loss), the disposition of the obligation will result in either a long-term capital gain or an ordinary loss.

Rules To Figure Gain or Loss

Use the following rules to figure your gain or loss from the disposition of an installment obligation.

- If you sell or exchange the obligation, or you accept less than face value in satisfaction of the obligation, your gain or loss is the difference between your basis in the obligation and the amount you realize.
- If you dispose of the obligation in any other way, your gain or loss is the difference between your basis in the obligation and its FMV at the time of the disposition. This rule applies, for example, when you give the installment obligation

to someone else or cancel the buyer's debt to you.

Basis. Figure your basis in an installment obligation by multiplying the unpaid balance on the obligation by your gross profit percentage. Subtract that amount from the unpaid balance. The result is your basis in the installment obligation.

Example. Several years ago, you sold property on the installment method. The buyer still owes you \$10,000 of the sale price. This is the unpaid balance on the buyer's installment obligation to you. Your gross profit percentage is 60%, so \$6,000 (60% (0.60) × \$10,000) is the profit owed you on the obligation. The rest of the unpaid balance, \$4,000, is your basis in the obligation.

Transfer between spouses or former spouses. No gain or loss is recognized on the transfer of an installment obligation between spouses or former spouses if the transfer is

incident to a divorce. A transfer is incident to a divorce if it occurs within 1 year after the date on which the marriage ends or is related to the end of the marriage. The same tax treatment of the transferred obligation applies to the transferee spouse or former spouse as would have applied to the transferor spouse or former spouse. The basis of the obligation to the transferee spouse (or former spouse) is the adjusted basis of the transferor spouse.

The nonrecognition rule doesn't apply if the spouse or former spouse receiving the obligation is a nonresident alien.

Gift. A gift of an installment obligation is a disposition. Your gain or loss is the difference between your basis in the obligation and its FMV at the time you make the gift.

For gifts between spouses or former spouses, see *Transfer between spouses or former spouses*, earlier.

Cancellation. If an installment obligation is canceled or otherwise becomes unenforceable, it's treated as a disposition other than a sale or exchange. Your gain or loss is the difference between your basis in the obligation and its FMV at the time you cancel it. If the parties are related, the FMV of the obligation is considered to be no less than its full face value.

Forgiving part of the buyer's debt. If you accept part payment on the balance of the buyer's installment debt to you and forgive the rest of the debt, you treat the settlement as a disposition of the installment obligation. Your gain or loss is the difference between your basis in the obligation and the amount you realize on the settlement.

No Disposition

The following transactions generally aren't dispositions.

Reduction of selling price. If you reduce the selling price but don't cancel the rest of the buyer's debt to you, it isn't considered a disposition of the installment obligation. You must refigure the gross profit percentage and apply it to payments you receive after the reduction. See [*Selling Price Reduced*](#), earlier.

Assumption. If the buyer of your property sells it to someone else and you agree to let the new buyer assume the original buyer's installment obligation, you haven't disposed of the installment obligation. It isn't a disposition even if the new buyer pays you a higher rate of interest than the original buyer.

Transfer due to death. The transfer of an installment obligation (other than to a buyer) as a result of the death of the seller isn't a disposition. Any unreported gain from the installment obligation isn't treated as gross income to the decedent. No income is reported on the decedent's return due to the

transfer. Whoever receives the installment obligation as a result of the seller's death is taxed on the installment payments the same as the seller would have been had the seller lived to receive the payments.

However, if an installment obligation is canceled, becomes unenforceable, or is transferred to the buyer because of the death of the holder of the obligation, it's a disposition. The estate must figure its gain or loss on the disposition. If the holder and the buyer were related, the FMV of the installment obligation is considered to be no less than its full face value.

Repossession

If you repossess your property after making an installment sale, you must figure the following amounts.

- Your gain (or loss) on the repossession.
- Your basis in the repossessed property.

The rules for figuring these amounts depend on the kind of property you repossess. The rules for repossessions of personal property differ from those for real property. Special rules may apply if you repossess property that was your main home before the sale. See Regulations section 1.1038-2 for further information.

The repossession rules apply whether or not title to the property was ever transferred to the buyer. It doesn't matter how you repossess the property, whether you foreclose or the buyer voluntarily surrenders the property to you. However, it isn't a repossession if the buyer puts the property up for sale and you repurchase it.

For the repossession rules to apply, the repossession must at least partially discharge (satisfy) the buyer's installment obligation to you. The discharged obligation must be secured by the property you repossess. This requirement is met if the property is

auctioned off after you foreclose and you apply the installment obligation to your bid price at the auction.

Reporting the repossession. You report gain or loss from a repossession on the same form you used to report the original sale. If you reported the sale on Form 4797, use it to report the gain or loss on the repossession.

Personal Property

If you repossess personal property, you may have a gain or a loss on the repossession. In some cases, you may also have a bad debt.

To figure your gain or loss, subtract the total of your basis in the installment obligation and any repossession expenses you have from the FMV of the property. If you receive anything from the buyer besides the repossessed property, add its value to the property's FMV before making this calculation.

How you figure your basis in the installment obligation depends on whether or not you reported the original sale on the installment method. The method you used to report the original sale also affects the character of your gain or loss on the repossession.

Installment method not used to report original sale. The following paragraphs explain how to figure your basis in the installment obligation and the character of any gain or loss if you didn't use the installment method to report the gain on the original sale.

Basis in installment obligation. If the issue price of the installment obligation is determined under section 1.1273-2 or section 1.1274-2, your basis will generally be the issue price of the obligation increased by any OID included in gross income and decreased by any payment other than a payment of qualified stated interest. Otherwise, your basis will be the amount realized attributable

to the installment obligation increased by any unstated interest recognized in income under section 483 and decreased by any payment other than a payment of stated interest. If only part of the obligation is discharged by the repossession, figure your basis in only that part.

Gain or loss. Add any repossession costs to your basis in the obligation. If the FMV of the property you repossess is more than this total, you have a gain. This is gain on the installment obligation, so it's all ordinary income. If the FMV of the repossessed property is less than the total of your basis plus repossession costs, you have a loss. You included the full gain in income in the year of sale, so the loss is a bad debt. How you deduct the bad debt depends on whether you sold business or nonbusiness property in the original sale. See chapter 4 of Pub. 550 for information on nonbusiness bad debts and the

instructions for your income tax return for information on business bad debts.

Installment method used to report original sale. The following paragraphs explain how to figure your basis in the installment obligation and the character of any gain or loss if you used the installment method to report the gain on the original sale.

Basis in installment obligation. Multiply the unpaid balance of your installment obligation by your gross profit percentage. Subtract that amount from the unpaid balance. The result is your basis in the installment obligation.

Gain or loss. If the FMV of the repossessed property is more than the total of your basis in the obligation plus any repossession costs, you have a gain. If the FMV is less, you have a loss. Your gain or loss on the repossession is of the same character (capital or ordinary) as your gain on the original sale.



Use [Worksheet C](#) to determine the taxable gain or loss on a repossession of personal property reported on the installment method.

Example. You sold your piano for \$1,500 in December 2022 for \$300 down and \$100 a month (plus interest). The payments began in January 2023. Your gross profit percentage is 40%. You reported the sale on the installment method on your 2022 income tax return. After the fourth monthly payment, the buyer defaulted on the contract (which has an unpaid balance of \$800) and you're forced to repossess the piano. The FMV of the piano on the date of repossession is \$1,400. The legal costs of foreclosure and the expense of moving the piano back to your home total \$75. You figure your gain on the repossession as illustrated in [Example—Worksheet C](#).

Example— Figuring Gain or Loss on Worksheet C. Repossession of Personal Property

Note. Use this worksheet only if you used the installment method to report the gain on the original sale.

1.	Enter the FMV of the repossessed property	1,400
2.	Enter the unpaid balance of the installment obligation	800
3.	Enter your gross profit percentage for the installment sale	40% (0.40)
4.	Multiply line 2 by line 3. This is your unrealized profit	320
5.	Subtract line 4 from line 2. This is the basis of the obligation	480
6.	Enter your costs of repossessing the property	75
7.	Add lines 5 and 6	555
8.	Subtract line 7 from line 1. This is your gain or loss on the repossession	845

Basis in repossessed property. Your basis in repossessed personal property is its FMV at the time of the repossession.

Worksheet C. **Figuring Gain or Loss on Repossession of Personal Property**

Keep for Your Records 

Note. Use this worksheet only if you used the installment method to report the gain on the original sale.

1.	Enter the FMV of the repossessed property	_____
2.	Enter the unpaid balance of the installment obligation	_____
3.	Enter your gross profit percentage for the installment sale	_____
4.	Multiply line 2 by line 3. This is your unrealized profit	_____
5.	Subtract line 4 from line 2. This is the basis of the obligation	_____
6.	Enter your costs of repossessing the property	_____
7.	Add lines 5 and 6	_____
8.	Subtract line 7 from line 1. This is your gain or loss on the repossession	_____

FMV of repossessed property. The FMV of repossessed property is a question of fact to be established in each case. If you bid for the property at a lawful public auction or judicial sale, its FMV is presumed to be the price it sells for, unless there's clear and convincing evidence to the contrary.

Real Property

The rules for the repossession of real property allow you to keep essentially the same adjusted basis in the repossessed property you had before the original sale. You can recover this entire adjusted basis when you resell the property. This, in effect, cancels out the tax treatment that applied to you on the original sale and puts you in the same tax position you were in before that sale.

As a result, the total payments you've received from the buyer on the original sale must be considered income to you. You report, as gain on the repossession, any part

of the payments you haven't yet included in income. These payments are amounts you previously treated as a return of your adjusted basis and excluded from income. However, the total gain you report is limited. See [*Limit on taxable gain*](#), later.

Mandatory rules. The rules concerning basis and gain on repossessed real property are mandatory. You must use them to figure your basis in the repossessed real property and your gain on the repossession. They apply whether or not you reported the sale on the installment method. However, they apply only if all of the following conditions are met.

1. The repossession must be to protect your security rights in the property.
2. The installment obligation satisfied by the repossession must have been received in the original sale.
3. You can't pay any additional consideration to the buyer to get your

property back unless either of the situations listed below applies.

- a. The requisition and payment of the additional consideration were provided for in the original contract of sale.
- b. The buyer has defaulted, or default is imminent.

Additional consideration includes money and other property you pay or transfer to the buyer. For example, additional consideration is paid if you reacquire the property subject to a debt that arose after the original sale.

Conditions not met. If any one of these three conditions isn't met, use the rules discussed under [Personal Property](#), earlier, as if the property you repossess were personal rather than real property. Don't use the rules for real property.

Figuring gain on repossession. Your gain on repossession is the difference between the following amounts.

- The total payments received, or considered received, on the sale.
- The total gain already reported as income.

See the earlier discussions under [Payments Received or Considered Received](#) for items considered payment on the sale.

Limit on taxable gain. Taxable gain is limited to your gross profit on the original sale minus the sum of the following amounts.

- The gain on the sale you reported as income before the repossession.
- Your repossession costs.

This method of figuring taxable gain, in essence, treats all payments received on the sale as income but limits your total taxable gain to the gross profit you originally expected on the sale.

Indefinite selling price. The limit on taxable gain doesn't apply if the selling price is indefinite and can't be determined at the time of repossession. For example, a selling price stated as a percentage of the profits to be realized from the buyer's development of the property is an indefinite selling price.

Character of gain. The taxable gain on repossession is ordinary income or capital gain, the same as the gain on the original sale. However, if you didn't report the sale on the installment method, the gain is ordinary income.

Repossession costs. Your repossession costs include money or property you pay to reacquire the real property. This includes amounts paid to the buyer of the property, as well as amounts paid to others for such items as those listed below.

- Court costs and legal fees.

- Publishing, acquiring, filing, or recording of title.
- Lien clearance.

Repossession costs don't include the FMV of the buyer's obligations to you that are secured by the real property or the costs of reacquiring those obligations.



Use [Worksheet D](#) to determine the taxable gain on a repossession of real property reported on the installment method.

Worksheet D. Taxable Gain on Repossession of Real Property

Keep for Your Records 

Note. Use this worksheet to determine taxable gain on the repossession of real property if you used the installment method to report the gain on the original sale.

1.	Enter the total of all payments received or treated as received before repossession	_____
2.	Enter the total gain already reported as income	_____
3.	Subtract line 2 from line 1. This is your gain on the repossession	_____
4.	Enter your gross profit on the original sale	_____
5.	Enter your costs of repossessing the property	_____
6.	Add line 2 and line 5	_____
7.	Subtract line 6 from line 4	_____
8.	Enter the lesser of line 3 or line 7. This is your taxable gain on the repossession	_____

This page is intentionally left blank

Example. You sold a tract of land in January 2021 for \$25,000. You accepted a \$5,000 down payment, plus a \$20,000 mortgage secured by the property and payable at the rate of \$4,000 annually plus interest (9.5%). The payments began on January 1, 2022. Your adjusted basis in the property was \$19,000 and you reported the transaction as an installment sale. Your selling expenses were \$1,000. You figured your gross profit as follows.

Selling price		\$25,000
Minus:		
Adjusted basis	\$19,000	
Selling expenses	1,000	20,000
		<hr/>
Gross profit		\$5,000
		<hr/> <hr/>

For this sale, the contract price equals the selling price. The gross profit percentage is

20% ($\$5,000$ gross profit \div $\$25,000$ contract price).

In 2021, you included $\$1,000$ in income (20% (0.20) \times $\$5,000$ down payment). In 2022, you reported a profit of $\$800$ (20% (0.20) \times $\$4,000$ annual installment). In 2023, the buyer defaulted and you repossessed the property. You paid $\$500$ in legal fees to get the property back. Your taxable gain on the repossession is figured as illustrated in [Example—Worksheet D](#).

Example— Taxable Gain on Repossession Worksheet D. of Real Property

Note. Use this worksheet to determine taxable gain on the repossession of real property if you used the installment method to report the gain on the original sale.

1. Enter the total of all payments received or treated as received before repossession	9,000
2. Enter the total gain already reported as income	1,800
3. Subtract line 2 from line 1. This is your gain on the repossession	7,200
4. Enter your gross profit on the original sale	5,000
5. Enter your costs of repossessing the property	500
6. Add line 2 and line 5	2,300
7. Subtract line 6 from line 4	2,700
8. Enter the lesser of line 3 or line 7. This is your taxable gain on the repossession	2,700

This page is intentionally left blank

Basis. Your basis in the repossessed property is determined as of the date of repossession. It's the sum of the following amounts.

- Your adjusted basis in the installment obligation.
- Your repossession costs.
- Your taxable gain on the repossession.

To figure your adjusted basis in the installment obligation at the time of repossession, multiply the unpaid balance by the gross profit percentage. Subtract that amount from the unpaid balance.



Use [Worksheet E](#) to determine the basis of real property repossessed.

This page is intentionally left blank

Worksheet E. **Basis of Repossessed Real Property**

Keep for Your Records



Note. Use this worksheet to determine your basis in the repossessed real property.

1.	Enter the unpaid balance on the installment obligation	_____
2.	Enter your gross profit percentage for the installment sale	_____
3.	Multiply line 1 by line 2. This is your unrealized profit	_____
4.	Subtract line 3 from line 1. This is your adjusted basis in the installment obligation on the date of the repossession	_____
5.	Enter your taxable gain on the repossession	_____
6.	Enter your costs of repossessing the property	_____
7.	Add lines 4, 5, and 6. This is your basis in the repossessed real property	_____

This page is intentionally left blank

Example. Assume the same facts as in the previous example. The unpaid balance of the installment obligation (the \$20,000 note) is \$16,000 at the time of repossession because the buyer made a \$4,000 payment. The gross profit percentage on the original sale was 20%. Therefore, \$3,200 ($20\% (0.20) \times \$16,000$ still due on the note) is unrealized profit. You figure your basis in the repossessed property as illustrated in [Example—Worksheet E](#).

This page is intentionally left blank

Example— **Basis of Repossessed Real Property** Worksheet E.

Note. Use this worksheet to determine your basis in the repossessed real property.

1. Enter the unpaid balance on the installment obligation	16,000
2. Enter your gross profit percentage for the installment sale	20% (0.20)
3. Multiply line 1 by line 2. This is your unrealized profit	3,200
4. Subtract line 3 from line 1. This is your adjusted basis in the installment obligation on the date of the repossession	12,800
5. Enter your taxable gain on the repossession	2,700
6. Enter your costs of repossessing the property	500
7. Add lines 4, 5, and 6. This is your basis in the repossessed real property	16,000

This page is intentionally left blank

Holding period for resales. If you resell the repossessed property, the resale may result in a capital gain or loss. To figure whether the gain or loss is long term or short term, your holding period includes the period you owned the property before the original sale plus the period after the repossession. It doesn't include the period the buyer owned the property.

If the buyer made improvements to the reacquired property, the holding period for these improvements begins on the day after the date of repossession.

Bad debt. If you repossess real property under these rules, you can't take a bad debt deduction for any part of the buyer's installment obligation. This is true even if the obligation isn't fully satisfied by the repossession.

If you took a bad debt deduction before the tax year of repossession, you're considered to

have recovered the bad debt when you repossess the property. You must report the bad debt deduction taken in the earlier year as income in the year of repossession. However, if any part of the earlier deduction didn't reduce your tax, you don't have to report that part as income. Your adjusted basis in the installment obligation is increased by the amount you report as income from recovering the bad debt.

Interest on Deferred Tax

Generally, you must pay interest on the deferred tax related to any obligation that arises during a tax year from the disposition of property under the installment method if both of the following apply.

- The property had a sales price over \$150,000. In determining the sales price, treat all sales that are part of the same transaction as a single sale.

- The total balance of all nondealer installment obligations arising during, and outstanding at the close of, the tax year is more than \$5 million.

Subsequent years. You must pay interest in subsequent years if installment obligations that originally required interest to be paid are still outstanding at the close of a tax year.

Exceptions. This interest rule doesn't apply to dispositions of:

- Farm property,
- Personal-use property by an individual,
- Personal property before 1989, or
- Real property before 1988.

Computation Under Section 453A

How to figure interest on deferred tax.

First, find the underpayment rate in effect for the month with or within which your tax year ends. The underpayment rate is published quarterly in the Internal Revenue Bulletin, available at [IRS.gov/irb](https://www.irs.gov/irb). Then compute the deferred tax liability. The deferred tax liability is equal to the balance of the unrecognized gain at the end of the tax year multiplied by your maximum tax rate (ordinary or capital gain, as appropriate) in effect for the tax year. Note, you will need to determine the gross profit percentage of the installment sale to calculate the amount of the gain that has not been recognized. Next you will need to compute the applicable percentage. The applicable percentage is the aggregate face amount of obligations outstanding as of the close of the tax year in excess of \$5 million divided by the aggregate face amount of obligations outstanding as of the close of the

tax year. To determine the interest on the deferred tax you owe, multiply your deferred tax liability by the applicable percentage by the underpayment rate.

Section 453A Example. Below is an example of the computation. ABC, Inc., a calendar year taxpayer, sold intellectual property with a \$0 basis to an unrelated party on November 15, 2020, for \$15 million on the installment method (a payment is due after the year of sale). ABC, Inc., incurred \$500,000 of expenses related to the sale. The installment sale contract requires the following payments.

- 2020: \$1 million.
- 2021: \$5 million.
- 2022: \$9 million—Note is paid off.

This page is intentionally left blank

Computation Under Section 453A

Section 453A(c)(2) Interest on Deferred Tax Liability	=	Section 453A(c)(3) Deferred Tax Liability (See Step 1 below)	x	Section 453A(c)(4) Applicable Percentage (See Step 2 below)	x	Section 453A(c)(2)(B) Underpayment Rate (Step 3)
Step 1: 2020 Compute the Deferred Tax Liability						
	=	The amount of gain with respect to an obligation which has not been recognized as of the close of such tax year			x	The maximum rate of tax for ordinary income or long-term capital gain, as applicable for such tax year
		Form 6252, line 7, Selling price minus liabilities assumed				15,000,000
		- Form 6252, line 21, Payments received in current year				(1,000,000)
		2020 Deferred Obligation				14,000,000
	x	Form 6252, line 19, Gross profit percentage (((\$15,000,000 - \$500,000)/\$15,000,000)				96.6670%
		The amount of gain that has not been recognized				13,533,380
	x	Maximum capital gains tax rate				21%
		Deferred Tax Liability				2,842,010

Step 2: Compute the Applicable Percentage

The applicable percentage is computed in the year of sale and is used for all subsequent years.

Aggregate face amount of obligations arising in a tax year and outstanding as of the close of such tax year from dispositions with sales price > \$150,000	-	\$5,000,000 Excluded obligation limit per section 453A(b)(2)(B) & section 453A(c)(4)(A)
<hr/>		
Aggregate face amount of obligations arising in a tax year and outstanding as of the close of such tax year from dispositions with sales price > \$150,000		
Form 6252, line 7, Selling price minus liabilities assumed	15,000,000	
- Form 6252, line 21, Payments received in current year	(1,000,000)	
<hr/>		
2020 Deferred Obligation	14,000,000	
 (14,000,000 - 5,000,000)	 = 64.2857%	
14,000,000		

Step 3: Determine the Underpayment Rate

The underpayment rate as of December 31, 2020, was 3%. The underpayment rate under section 453A(c)(2)(B) is the underpayment rate determined under section 6621(a)(2).

Step 4: Compute the Interest Due (Additional Tax) on the Deferred Tax Liability

=	Deferred Tax Liability	x	Applicable Percentage	x	Underpayment Rate
	Deferred Tax Liability		2,842,010		
	x Applicable Percentage		64.2857%		
	x Underpayment Rate		3.00%		
	2020 453A additional tax		\$54,810.18		
	2021 Deferred Tax Liability calculation:				
	2020 Deferred Obligation		14,000,000		
	- 2021 Payment received		(5,000,000)		
			<hr/>		
	2021 Deferred Obligation		9,000,000		
	x Gross Profit Percentage		96.6670%		
			<hr/>		
	The amount of gain that has not been recognized		8,700,030		
	x Maximum capital gains tax rate		21%		
	2021 Deferred Tax Liability		1,827,006		
	2021 Section 453A Calculation:				
	Deferred Tax Liability		1,827,006		
	x Applicable Percentage		64.2857%		
	x Underpayment Rate		3.00%		
	2021 Section 453A additional tax		\$35,235		
	2022 Section 453A Calculation: Note is paid off in full, so no deferred tax liability				
	Deferred Tax Liability		0		
	x Applicable Percentage		64.2857%		
	x Underpayment Rate		N/A		
	2022 Section 453A additional tax		\$0		

Computation Under Section 453A

$$\text{Section 453A(c)(2) Interest on Deferred Tax Liability} = \text{Section 453A(c)(3) Deferred Tax Liability (Step 1 below)} \times \text{Section 453A(c)(4) Applicable Percentage (Step 2 below)} \times \text{Section 453A(c)(2)(B) Underpayment Rate (Step 3)}$$

Step 1: Compute the Deferred Tax Liability

$$= \text{Section 453A(c)(3)(A) The amount of gain with respect to an obligation which has not been recognized as of the close of such tax year} \times \text{Section 453A(c)(3)(8) The maximum rate of tax for ordinary income or long-term capital gain, as applicable for such tax year}$$

Step 2: Compute the Applicable Percentage

$$= \frac{\text{Aggregate face amount of obligations arising in a tax year and outstanding as of the close of such tax year from dispositions with sales price > \$150,000}}{\text{Aggregate face amount of obligations arising in a tax year and outstanding as of the close of such tax year from dispositions with sales price > \$150,000}} - 5,000,000$$

Note. The Applicable Percentage is computed in the initial year the installment sale arises. It does not change as payments are made in subsequent years.

Step 3: Determine the Underpayment Rate

Step 4: Compute the Interest Due (Additional Tax) on the Deferred Tax Liability

$$= \text{Deferred Tax Liability} \times \text{Applicable Percentage} \times \text{Underpayment Rate}$$

This page is intentionally left blank

For information on interest on dealer sales of time-shares and residential lots under the installment method, see section 453(l).

How to report the interest. Enter the interest as additional tax on your tax return. Individuals report the amount on Schedule 2 (Form 1040), line 15.

U.S. corporations report the interest on Form 1120, Schedule J, line 9f.

Foreign corporations using Form 1120-F include the interest on the other taxes line (Form 1120-F, Schedule J, line 8f).

Corporations can deduct the interest in the year it's paid or accrued. For individuals and other taxpayers, this interest isn't deductible. Follow the instructions for your tax return.

Special Rules for Capital Gains Invested in QOF

If you have a capital gain, you can invest that gain into a QOF and elect to defer part or all of the gain that is otherwise includible in income. The gain is deferred until you sell or exchange the investment in the QOF or December 31, 2026, whichever is earlier. You may also be able to permanently exclude the gain from the sale or exchange of any investment in a QOF if the investment is held for at least 10 years. For information about what types of gains entitle you to elect these special rules, see the Instructions for Schedule D for your tax return. Report the eligible gain on the form and in the manner otherwise instructed. See the Instructions for Form 8949 on how to report your election to defer eligible gains invested in a QOF.

Reporting an Installment Sale

Form 6252. Use Form 6252 to report a sale of property on the installment method. The form is used to report the sale in the year it takes place and to report payments received in later years. Also, if you sold property to a related person, you may have to file the form each year until the installment debt is paid off, whether or not you receive a payment in that year.

Which parts to complete. Complete lines 1 through 4, Part I, and Part II for each year of the installment agreement. Also, complete Part III if you sold property to a related party.

For all years. Complete Part I, lines 1 through 4, and Part II. If you sold property to a related party during the year, also complete Part III. Complete Form 6252 for each year of the installment agreement, including the year

of final payment, even if a payment wasn't received during the year.

After 1986, the installment method isn't available for the sale of marketable securities.

If you sold property other than a marketable security to a related party after May 14, 1980, complete Form 6252 for the year of the sale and for the 2 years after the year of sale, even if you didn't receive a payment in those years. Complete lines 1 through 4. Complete Part II for each of the 2 years after the year of sale in which you receive a payment. Complete Part III for each of the 2 years after the year of the sale unless you received the final payment during the year.

If the related person to whom you sold your property disposes of it, you may have to immediately report the rest of your gain in Part III. See [*Sale and Later Disposition*](#), earlier, for more information.

Several assets. If you sell two or more assets in one installment sale, you may have to separately report the sale of each asset. The same is true if you sell all the assets of your business in one installment sale. See [Single Sale of Several Assets](#) and [Sale of a Business](#), earlier.

If you have only a few sales to separately report, use a separate Form 6252 for each one. However, if you have to separately report the sale of multiple assets that you sold together, prepare only one Form 6252 and attach a schedule with all the required information for each asset. Complete Form 6252 by following the steps listed below.

1. Answer the questions at the top of the form.
2. In the year of sale, don't complete Part I. Instead, write "See attached schedule" in the margin.

3. For Part II, enter the total for all the assets on lines 24, 25, and 26.
4. For Part III, answer all the questions that apply. If none of the exceptions under question 29 apply, enter the totals on lines 35, 36, and 37 for the disposed assets.

Special situations. If you're reporting payments from an installment sale as income in respect of a decedent or as a beneficiary of a trust, including a partial interest in such a sale, you may not be able to provide all the information asked for on Form 6252. To the extent possible, follow the instructions given above and provide as many details as possible in a statement attached to Form 6252.

For more information on how to complete Form 6252, see the form instructions.

Other forms. The gain from Form 6252 is entered on Schedule D (Form 1040), Form 4797, or both.

Schedule D (Form 1040). Enter the gain figured on Form 6252 (line 26) for personal-use property (capital assets) on Schedule D (Form 1040) as a short-term gain (line 4) or long-term gain (line 11). If your gain from the installment sale qualifies for long-term capital gain treatment in the year of sale, it will continue to qualify in later tax years. Your gain is long term if you owned the property for more than 1 year when you sold it.

Although the references in this publication are to the Schedule D (Form 1040), the rules discussed also apply to Schedule D (Form 1041), Schedule D (Form 1065), Schedule D (Form 1120), and Schedule D (Form 1120-S).

Form 4797. An installment sale of property used in your business or that earns rent or royalty income may result in a capital gain, an

ordinary gain, or both. All or part of any gain from the disposition of the property may be ordinary gain from depreciation recapture. For trade or business property held for more than 1 year, enter the amount from line 26 of Form 6252 on Form 4797, line 4. If the property was held 1 year or less or you have an ordinary gain from the sale of a noncapital asset (even if the holding period is more than 1 year), enter this amount on Form 4797, line 10, and write "From Form 6252."

Sale of your home. If you sell your home, you may be able to exclude all or part of the gain on the sale. See Pub. 523 for information about excluding the gain. If the sale is an installment sale, any gain you exclude isn't included in gross profit when figuring your gross profit percentage.

Seller-financed mortgage. If you finance the sale of your home to an individual, both you and the buyer may have to follow special reporting procedures.

When you report interest income received from a buyer who uses the property as a personal residence, enter the buyer's name, address, and social security number (SSN) on line 1 of Schedule B (Form 1040). See the Instructions for Schedule B (Form 1040).

When deducting the mortgage interest, the buyer must enter your name, address, and SSN on line 8b of Schedule A (Form 1040).

If either person fails to include the other person's SSN, a penalty will be assessed.

How To Get Tax Help

If you have questions about a tax issue; need help preparing your tax return; or want to download free publications, forms, or instructions, go to [IRS.gov](https://www.irs.gov) to find resources that can help you right away.

Preparing and filing your tax return. After receiving all your wage and earnings statements (Forms W-2, W-2G, 1099-R,

1099-MISC, 1099-NEC, etc.); unemployment compensation statements (by mail or in a digital format) or other government payment statements (Form 1099-G); and interest, dividend, and retirement statements from banks and investment firms (Forms 1099), you have several options to choose from to prepare and file your tax return. You can prepare the tax return yourself, see if you qualify for free tax preparation, or hire a tax professional to prepare your return.

Free options for tax preparation. Your options for preparing and filing your return online or in your local community, if you qualify, include the following.

- **Free File.** This program lets you prepare and file your federal individual income tax return for free using software or Free File Fillable Forms. However, state tax preparation may not be available through Free File. Go to [IRS.gov/FreeFile](https://www.irs.gov/FreeFile) to see if you qualify for free online federal tax

preparation, e-filing, and direct deposit or payment options.

- **VITA.** The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate incomes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. Go to [IRS.gov/ VITA](https://www.irs.gov/VITA), download the free IRS2Go app, or call 800-906-9887 for information on free tax return preparation.

- **TCE.** The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors.

Go to [IRS.gov/TCE](https://www.irs.gov/TCE) or download the free IRS2Go app for information on free tax return preparation.

- **MilTax.** Members of the U.S. Armed Forces and qualified veterans may use MilTax, a free tax service offered by the Department of Defense through Military OneSource. For more information, go to [MilitaryOneSource](https://www.militaryonesource.com/miltax) ([MilitaryOneSource.mil/MilTax](https://www.militaryonesource.com/miltax)).

Also, the IRS offers Free Fillable Forms, which can be completed online and then e-filed regardless of income.

Using online tools to help prepare your return. Go to [IRS.gov/Tools](https://www.irs.gov/tools) for the following.

- The [Earned Income Tax Credit Assistant](https://www.irs.gov/eitcassistant) ([IRS.gov/EITCAssistant](https://www.irs.gov/eitcassistant)) determines if you're eligible for the earned income credit (EIC).
- The [Online EIN Application](https://www.irs.gov/ein) ([IRS.gov/EIN](https://www.irs.gov/ein)) helps you get an employer identification number (EIN) at no cost.

- The [*Tax Withholding Estimator*](#) ([*IRS.gov/W4App*](#)) makes it easier for you to estimate the federal income tax you want your employer to withhold from your paycheck. This is tax withholding. See how your withholding affects your refund, take-home pay, or tax due.
- The [*First-Time Homebuyer Credit Account Look-up*](#) ([*IRS.gov/HomeBuyer*](#)) tool provides information on your repayments and account balance.
- The [*Sales Tax Deduction Calculator*](#) ([*IRS.gov/SalesTax*](#)) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040).



Getting answers to your tax questions. On IRS.gov, you can get up-to-date information on current events and changes in tax law.

- [IRS.gov/Help](https://www.irs.gov/Help): A variety of tools to help you get answers to some of the most common tax questions.
- [IRS.gov/ITA](https://www.irs.gov/ITA): The Interactive Tax Assistant, a tool that will ask you questions and, based on your input, provide answers on a number of tax topics.
- [IRS.gov/Forms](https://www.irs.gov/Forms): Find forms, instructions, and publications. You will find details on the most recent tax changes and interactive links to help you find answers to your questions.
- You may also be able to access tax information in your e-filing software.

Need someone to prepare your tax return? There are various types of tax return preparers, including enrolled agents, certified public accountants (CPAs), accountants, and many others who don't have professional credentials. If you choose to have someone

prepare your tax return, choose that preparer wisely. A paid tax preparer is:

- Primarily responsible for the overall substantive accuracy of your return,
- Required to sign the return, and
- Required to include their preparer tax identification number (PTIN).



Although the tax preparer always signs the return, you're ultimately responsible for providing all the information required for the preparer to accurately prepare your return and for the accuracy of every item reported on the return. Anyone paid to prepare tax returns for others should have a thorough understanding of tax matters. For more information on how to choose a tax preparer, go to [Tips for Choosing a Tax Preparer](#) on IRS.gov.

Employers can register to use Business Services Online. The Social Security Administration (SSA) offers online service at

[SSA.gov/employer](https://ssa.gov/employer) for fast, free, and secure W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Form W-2, Wage and Tax Statement, and Form W-2c, Corrected Wage and Tax Statement.

IRS social media. Go to [IRS.gov/SocialMedia](https://irs.gov/SocialMedia) to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are our highest priority. We use these tools to share public information with you. **Don't** post your social security number (SSN) or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- [Youtube.com/irsvideos](https://youtube.com/irsvideos).

- [Youtube.com/irsvideomultilingua](https://www.youtube.com/irsvideomultilingua).
- [Youtube.com/irsvideosASL](https://www.youtube.com/irsvideosASL).

Watching IRS videos. The IRS Video portal ([IRSVideos.gov](https://www.irs.gov/irs/videos)) contains video and audio presentations for individuals, small businesses, and tax professionals.

Online tax information in other languages. You can find information on [IRS.gov/MyLanguage](https://www.irs.gov/MyLanguage) if English isn't your native language.

Free Over-the-Phone Interpreter (OPI) Service. The IRS is committed to serving taxpayers with limited-English proficiency (LEP) by offering OPI services. The OPI Service is a federally funded program and is available at Taxpayer Assistance Centers (TACs), most IRS offices, and every VITA/TCE tax return site. The OPI Service is accessible in more than 350 languages.

Accessibility Helpline available for taxpayers with disabilities. Taxpayers who need information about accessibility services can call 833-690-0598. The Accessibility Helpline can answer questions related to current and future accessibility products and services available in alternative media formats (for example, braille, large print, audio, etc.). The Accessibility Helpline does not have access to your IRS account. For help with tax law, refunds, or account-related issues, go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp).

Note. Form 9000, Alternative Media Preference, or Form 9000(SP) allows you to elect to receive certain types of written correspondence in the following formats.

- Standard Print.
- Large Print.
- Braille.
- Audio (MP3).

- Plain Text File (TXT).
- Braille Ready File (BRF).

Disasters. Go to [IRS.gov/DisasterRelief](https://www.irs.gov/DisasterRelief) to review the available disaster tax relief.

Getting tax forms and publications. Go to [IRS.gov/Forms](https://www.irs.gov/Forms) to view, download, or print all of the forms, instructions, and publications you may need. Or, you can go to [IRS.gov/OrderForms](https://www.irs.gov/OrderForms) to place an order.

Getting tax publications and instructions in eBook format. Download and view most tax publications and instructions (including the Instructions for Form 1040) on mobile devices as eBooks at [IRS.gov/eBooks](https://www.irs.gov/eBooks).

IRS eBooks have been tested using Apple's iBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

Access your online account (individual taxpayers only). Go to [IRS.gov/Account](https://www.irs.gov/Account) to securely access information about your federal tax account.

- View the amount you owe and a breakdown by tax year.
- See payment plan details or apply for a new payment plan.
- Make a payment or view 5 years of payment history and any pending or scheduled payments.
- Access your tax records, including key data from your most recent tax return, and transcripts.
- View digital copies of select notices from the IRS.
- Approve or reject authorization requests from tax professionals.
- View your address on file or manage your communication preferences.

Get a transcript of your return. With an online account, you can access a variety of information to help you during the filing season. You can get a transcript, review your most recently filed tax return, and get your adjusted gross income. Create or access your online account at [IRS.gov/ Account](https://www.irs.gov/Account).

Tax Pro Account. This tool lets your tax professional submit an authorization request to access your individual taxpayer IRS online account. For more information, go to [IRS.gov/TaxProAccount](https://www.irs.gov/TaxProAccount).

Using direct deposit. The safest and easiest way to receive a tax refund is to e-file and choose direct deposit, which securely and electronically transfers your refund directly into your financial account. Direct deposit also avoids the possibility that your check could be lost, stolen, or returned undeliverable to the IRS. Eight in 10 taxpayers use direct deposit to receive their refunds. If you don't have a

bank account, go to [IRS.gov/DirectDeposit](https://www.irs.gov/DirectDeposit) for more information on where to find a bank or credit union that can open an account online.

Reporting and resolving your tax-related identity theft issues.

- Tax-related identity theft happens when someone steals your personal information to commit tax fraud. Your taxes can be affected if your SSN is used to file a fraudulent return or to claim a refund or credit.
- The IRS doesn't initiate contact with taxpayers by email, text messages (including shortened links), telephone calls, or social media channels to request or verify personal or financial information. This includes requests for personal identification numbers (PINs), passwords, or similar information for credit cards, banks, or other financial accounts.

- Go to [IRS.gov/IdentityTheft](https://www.irs.gov/IdentityTheft), the IRS Identity Theft Central webpage, for information on identity theft and data security protection for taxpayers, tax professionals, and businesses. If your SSN has been lost or stolen or you suspect you're a victim of tax-related identity theft, you can learn what steps you should take.
- Get an Identity Protection PIN (IP PIN). IP PINs are six-digit numbers assigned to taxpayers to help prevent the misuse of their SSNs on fraudulent federal income tax returns. When you have an IP PIN, it prevents someone else from filing a tax return with your SSN. To learn more, go to [IRS.gov/IPPIN](https://www.irs.gov/IPPIN).

Ways to check on the status of your refund.

- Go to [IRS.gov/Refunds](https://www.irs.gov/Refunds).

- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.



The IRS can't issue refunds before mid-February for returns that claimed the EIC or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.

Making a tax payment. Payments of U.S. tax must be remitted to the IRS in U.S. dollars. [Digital assets](#) are **not** accepted. Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for information on how to make a payment using any of the following options.

- [IRS Direct Pay](#): Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.

- [*Debit Card, Credit Card, or Digital Wallet*](#): Choose an approved payment processor to pay online or by phone.
- [*Electronic Funds Withdrawal*](#): Schedule a payment when filing your federal taxes using tax return preparation software or through a tax professional.
- [*Electronic Federal Tax Payment System*](#): Best option for businesses. Enrollment is required.
- [*Check or Money Order*](#): Mail your payment to the address listed on the notice or instructions.
- [*Cash*](#): You may be able to pay your taxes with cash at a participating retail store.
- [*Same-Day Wire*](#): You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

Note. The IRS uses the latest encryption technology to ensure that the electronic payments you make online, by phone, or from a mobile device using the IRS2Go app are safe and secure. Paying electronically is quick, easy, and faster than mailing in a check or money order.

What if I can't pay now? Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for more information about your options.

- Apply for an [online payment agreement \(IRS.gov/ OPA\)](https://www.irs.gov/OPA) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the [Offer in Compromise Pre-Qualifier](https://www.irs.gov/offer) to see if you can settle your tax debt for less than the full amount you owe. For

more information on the Offer in Compromise program, go to [IRS.gov/OIC](https://www.irs.gov/OIC).

Filing an amended return. Go to [IRS.gov/Form1040X](https://www.irs.gov/Form1040X) for information and updates.

Checking the status of your amended return. Go to [IRS.gov/WMAR](https://www.irs.gov/WMAR) to track the status of Form 1040-X amended returns.



It can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.

Understanding an IRS notice or letter you've received. Go to [IRS.gov/Notices](https://www.irs.gov/Notices) to find additional information about responding to an IRS notice or letter.

Responding to an IRS notice or letter. You can now upload responses to all notices and letters using the Document Upload Tool. For notices that require additional action,

taxpayers will be redirected appropriately on IRS.gov to take further action. To learn more about the tool, go to [IRS.gov/Upload](https://www.irs.gov/Upload).

Note. You can use Schedule LEP (Form 1040), Request for Change in Language Preference, to state a preference to receive notices, letters, or other written communications from the IRS in an alternative language. You may not immediately receive written communications in the requested language. The IRS's commitment to LEP taxpayers is part of a multi-year timeline that began providing translations in 2023. You will continue to receive communications, including notices and letters, in English until they are translated to your preferred language.

Contacting your local TAC. Keep in mind, many questions can be answered on IRS.gov without visiting a TAC. Go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp) for the topics people ask about most. If you still need help, TACs provide tax help when a tax issue can't be

handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to [IRS.gov/TACLocator](https://www.irs.gov/TACLocator) to find the nearest TAC and to check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is TAS?

TAS is an *independent* organization within the IRS that helps taxpayers and protects taxpayer rights. TAS strives to ensure that every taxpayer is treated fairly and that you know and understand your rights under the [Taxpayer Bill of Rights](#).

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to [TaxpayerAdvocate.IRS.gov](https://www.irs.gov/advocate) to help you understand what these rights mean to you and how they apply. These are **your** rights. Know them. Use them.

What Can TAS Do for You?

TAS can help you resolve problems that you can't resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business;

- You face (or your business is facing) an immediate threat of adverse action; or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach TAS?

TAS has offices [in every state, the District of Columbia, and Puerto Rico](#). To find your advocate's number:

- Go to TaxpayerAdvocate.IRS.gov/Contact-Us;
- Download Pub. 1546, The Taxpayer Advocate Service Is Your Voice at the IRS, available at IRS.gov/pub/irs-pdf/p1546.pdf;
- Call the IRS toll free at 800-TAX-FORM (800-829-3676) to order a copy of Pub. 1546;
- Check your local directory; or

- Call TAS toll free at 877-777-4778.

How Else Does TAS Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, report it to TAS at [IRS.gov/SAMS](https://www.irs.gov/SAMS). Be sure to not include any personal taxpayer information.

Low Income Taxpayer Clinics (LITCs)

LITCs are independent from the IRS and TAS. LITCs represent individuals whose income is below a certain level and who need to resolve tax problems with the IRS. LITCs can represent taxpayers in audits, appeals, and tax collection disputes before the IRS and in court. In addition, LITCs can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee. For more information or to find an LITC near you, go to the LITC page at

[TaxpayerAdvocate.IRS.gov/LITC](https://www.irs.gov/advocate/litc) or see IRS Pub. 4134, [Low Income Taxpayer Clinic List](https://www.irs.gov/pub/irs-pdf/p4134.pdf), at [IRS.gov/pub/irs-pdf/p4134.pdf](https://www.irs.gov/pub/irs-pdf/p4134.pdf).

Index



To help us develop a more useful index, please let us know if you have ideas for index entries. See “Comments and Suggestions” in the “Introduction” for the ways you can reach us.

A

Adjusted basis for installment sale [4](#)

Assistance (See Tax help)

B

Basis:

Adjusted [4](#)

Assumed mortgage [7](#)

Installment obligation [17](#), [18](#)

Installment sale [4](#)

Repossessed property [19](#), [21](#)

Bond [8](#)

Buyer's note [8](#)

C

Contingent payment sale [12](#)

Contract price [4](#)

D

Dealer sales, special rule [3](#)

Depreciation recapture income [9](#)

Disposition of installment obligation [17](#)

E

Electing out [6](#)

Escrow account [9](#)

F

Fair market value [3](#), [19](#)

Figuring installment sale income [3](#)

Form:

4797 [25](#)

6252 [24](#)

8594 [13](#)

Schedule D (Form 1040) [25](#)

G

Gross profit percentage [4](#)

Gross profit, defined [4](#)

Guarantee [8](#)

I

Installment obligation:

Defined [3](#)

Disposition [17](#)

Used as security [8](#)

Installment Sale [2](#)

Interest:

Escrow account [9](#)

Income [3](#)

Reporting [25](#)

Unstated [15](#)

Interest on deferred tax [22](#)

Exceptions [22](#)

L

Like-kind exchange [11](#)

N

Note:

Buyer's [8](#)

Third-party [8](#)

O

Original issue discount [15](#)

P

Payments considered received [6](#)

Buyer assumes debts [7](#)

Buyer pays seller's expenses [7](#)

Mortgage assumed [7](#)

Pledge rule [8](#)

Payments received [6](#)

Pledge rule [8](#)

Publications (See Tax help)

R

Related person:

Land sale [16](#)

Sale to [9](#)

Reporting installment sale [6](#), [24](#)

Repossession [18](#)

Holding period for resale [21](#)

Personal property [18](#)

Real property [19](#)

S

Sale at a loss [3](#)

Sale of:

Business [12](#)

Home [25](#)

Land between related persons [16](#)

Partnership interest [13](#)

Several assets [12](#), [25](#)

Stock or securities [3](#)

Sales by dealers [3](#)

Section 1274 [16](#)

Exceptions [16](#)

Section 483 [16](#)

Exceptions [16](#)

Selling expenses [4](#)

Selling price:

Defined [4](#)

Reduced [5](#)

Single sale of several assets [12](#), [25](#)

**Special rules for capital gains invested in
QOF** [24](#)

T

Tax help [25](#)

Third-party note [8](#)

U

Unstated interest [15](#)