

# Report of a Sale or Exchange of Certain Partnership Interests

OMB No. 1545-0941  
Expires 10-31-88

▶ Attach to Form 1065.

Partnership's name and address (Do not complete address if attached to Form 1065.)

Partnership's identifying number

## Part I Transferor Information (Person from whom the partnership interest was transferred)

Name	Identifying number
------	--------------------

Number and street

City, town or post office, state, and ZIP code

**Notice to Transferors:** The information on this form has been supplied to the Internal Revenue Service. The transferor in a section 751(a) exchange is required to treat a portion of the gain realized from the exchange as ordinary income. For more information see **Publication 541, Tax Information on Partnerships**.

**Statement by Transferor:** The transferor in a section 751(a) exchange is required under regulations section 1.751-1(a)(3) to attach a statement relating to the sale or exchange to his or her return. See **Instructions To Transferors** below for further details.

## Part II Transferee Information (Person to whom the partnership interest was transferred)

Name	Identifying number
------	--------------------

Number and street

City, town or post office, state, and ZIP code

## Part III Date of Sale or Exchange of Partnership Interest ▶ / /

[Redacted area]

- (2) The portion of the adjusted basis attributable to section 751 property under section 732 (basis of distributed property other than money).
- (3) The amount of any money and the fair market value of any other property received or to be received for the transferred interest in the partnership, and the portion attributable to section 751 property.
- (4) A computation of the basis adjustment for the distributed property and the allocation to each property remaining in the partnership if you compute your adjusted basis for section 751 property using a special basis adjustment under either the provisions of section 732(d) or under section 743(b). Also you must include in the statement that under section 732(d) you are making an election to adjust the basis of property received in a distribution.

**Penalty.**—*Failure of a transferor to notify partnership of an exchange of its interest (section 6678(c)).*—A penalty of \$50 for each failure to notify the partnership of a section 751(a) exchange may be imposed unless there is reasonable cause for not doing so.

## Instructions to Partnerships

**Section 751(a) Exchange.**—A section 751(a) exchange occurs when money or any property is exchanged for all or part of a partnership interest that is attributable to unrealized receivables or substantially appreciated inventory items. Generally, any sale or exchange of a partnership interest (or portion thereof) at a time when the partnership has any unrealized receivables or substantially appreciated inventory items is a section 751(a) exchange.

**Unrealized Receivables.**—Unrealized receivables, to the extent not previously includible in income under the partnership's accounting method, are any rights to payment for:

- (a) Goods delivered or to be delivered, to the extent that the payment would be treated as received for property other than a capital asset, and

- (b) Services rendered or to be rendered.

Unrealized receivables also include the amount of gain that would be ordinary income if any of the following types of partnership property were sold on the date of the section 751(a) exchange:

- (c) Mining property;
- (d) Stock in an Interest Charge Domestic International Sales Corporation (IC-DISC);
- (e) Farm recapture property or farm land;
- (f) Franchises, trademarks, or trade names;
- (g) Oil, gas, or geothermal property;
- (h) Stock of a controlled foreign corporation;
- (i) Section 1245 property;
- (j) Section 1245 recovery property;
- (k) Section 1250 property;
- (l) Market discount bonds;
- (m) Short term governmental obligations; and
- (n) Other short term obligations.

### Substantially Appreciated Inventory Items.

—Inventory items are considered to have appreciated substantially in value if, at the time of the sale or exchange, their fair market value exceeds:

- (1) 120% of the adjusted basis of this property to the partnership; and
- (2) 10% of the fair market value of all partnership property, other than money.

Inventory items are not just stock in trade of the partnership. They also include:

- Any properties that would be included in inventory if on hand at the end of the tax year or that are held primarily for sale to customers in the normal course of business.
- Any asset that is not a capital asset or is not treated as a capital asset.
- Any other property held by the partnership which would be considered inventory items if held by the transferor partner.
- Any trade receivables of accrual method partnerships.

- Any property held by the partnership which, if sold, would result in a gain taxable under section 1246(a) (relating to gain on foreign investment company stock).

**Tiered Partnerships.**—In determining whether partnership property is an unrealized receivable or an inventory item, the partnership is treated as owning its proportionate share of the property of any other partnership in which it is a partner (see section 751(f)).

### Statement to Transferor and

**Transferee.**—All partnerships must furnish a copy of Form 8308 to each transferor and transferee. The partnership must furnish the copies of Form 8308 to the transferor and transferee by January 31 following the calendar year in which the section 751(a) exchange occurred (or, if later, 30 days after the partnership has notice of the exchange).

Thus, Form 8308 must generally be prepared prior to the time it must be attached to the partnership's Form 1065 and sent to the IRS. This will allow the timely furnishing of statements to the transferor and transferee.

**Partnership Penalties.**—*Failure to furnish statement to transferor and transferee (section 6678(a)).*—If the partnership fails to give either party to the exchange a statement timely, a penalty of \$50 for failure to furnish each statement may be imposed unless it was due to reasonable cause and not willful neglect. The maximum amount of this penalty is \$50,000 in any calendar year.

**Failure to file Form 8308.**—If the partnership fails to file Form 8308 timely, a penalty of \$50 for each such failure may be imposed unless the partnership can show that the failure was due to reasonable cause. The maximum amount of the penalty that may be imposed is \$50,000 in any calendar year unless the failure was intentional, in which case there is no limit on the amount of the penalty (section 6652(a)(1) and (3)).