

Asset Acquisition Statement Under Section 1060

▶ Attach to Your Federal Income Tax Return.

Name as shown on return	Identification number as shown on tax return
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Part I To Be Completed by All Filers

1 Name of buyer	Buyer's identification number as shown on tax return
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Address (number and street)

City, state, and ZIP code

2 Name of seller	Seller's identification number as shown on tax return
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Address (number and street)

City, state, and ZIP code

3 Date of sale	4 Total sales price
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Part II Assets Transferred—To be completed by all filers of an original statement

1 Assets	Aggregate Fair Market Value (Actual Amount for Class I)	Allocation of Sales Price
Class I	\$	\$
Class II	\$	\$
Class III	\$	\$
Class IV	\$	\$
Total	\$	\$

2 Did the buyer and seller provide for an allocation of the sales price in the sales contract or in another written document signed by both parties? Yes No

If "Yes," are the aggregate fair market values listed for each of asset Classes I, II, and III the amounts agreed upon in your sales contract or in a separate written document? Yes No

3 To be completed by buyer only: In connection with the purchase of the group of assets, did you also purchase a license or a covenant not to compete, or enter into a lease agreement, employment contract, management contract, or similar arrangement with the seller (or managers, directors, owners, or employees of the seller)? Yes No

If "Yes," specify (a) the type of agreement, and (b) the maximum amount of consideration (not including interest) paid or to be paid under the agreement. (Attach additional sheets if more space is needed.)

Part III Class III, Intangible Amortizable Assets Only—Complete if applicable. The amounts shown below also must be included under Class III assets in Part II. (Attach additional sheets if more space is needed.)

Assets	Fair Market Value	Useful Life	Allocation of Sales Price
	\$		\$
	\$		\$
	\$		\$

Part IV Supplemental Statement—To be completed only if amending an original statement or previously filed supplemental statement because of an increase or decrease in consideration.

1 Assets	Allocation of Sales Price as Previously Reported	Increase or (Decrease)	Redetermined Allocation of Sales Price
Class I	\$	\$	\$
Class II	\$	\$	\$
Class III	\$	\$	\$
Class IV	\$	\$	\$
Total	\$	\$	\$

2 Reason(s) for increase or decrease (Attach additional sheets if more space is needed.)

3 Tax year and tax return form number with which the original Form 8594 and any supplemental statements were filed

Instructions

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

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The estimated average time needed to complete this form, depending on individual circumstances, is 1.1 hours. If you have comments concerning the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Purpose of Form.—For acquisitions after May 6, 1986, the seller and buyer of a group of assets constituting a trade or business must report to IRS on Form 8594 if goodwill or a going concern value attaches, or could attach, to such assets and if the buyer's basis in the assets is determined only by the amount paid for the assets ("applicable asset acquisition," defined below).

Who Must File.—Both the buyer and the seller of the assets must prepare and attach Form 8594 to their Federal income tax returns (Forms 1040, 1041, 1065, 1120, 1120S, etc.).

Exceptions.—You are not required to file Form 8594 if any of the following apply:

- (1) The acquisition is not an applicable asset acquisition.
- (2) The asset acquisition occurs pursuant to a binding contract in effect on May 6, 1986, and at all times thereafter.
- (3) A group of assets that constitutes a trade or business is exchanged for like-kind property in a transaction to which section 1031 applies. However, if section 1031 does not apply to all the assets transferred, Form 8594 is required for the part of the group of assets to which section 1031 does not apply. For information about such a transaction, see Regulations section 1.1060-1T(b)(4).
- (4) A partnership interest is transferred. See Regulations section 1.755-2T for special reporting requirements.

When To File.—Generally, attach Form 8594 to your Federal income tax return for the year in which the sale date occurred. If the amount allocated to any asset is increased or decreased after Form 8594 is filed, the seller and/or buyer (whoever is affected) must complete Part I and the supplemental statement in Part IV of a new Form 8594 and attach the form to the Federal tax return for the year in which the increase or decrease is taken into account.

Exception.—If the sale (or increase or decrease) is in a taxable year for which the due date (including extensions of time) of the return is before September 13, 1988, you need not file Form 8594 for that event. For example, if a reportable sale, or an increase or decrease, occurred in 1987 and you filed your 1987 Form 1040 by April 15, 1988, you need not file Form 8594 for that event. But if the due date of your 1987 Form 1040 is extended to September 15, 1988, Form 8594 must be attached to that return.

Definitions

Applicable asset acquisition means a transfer of a group of assets that constitutes a trade or business in which the buyer's basis in such assets is determined wholly by the amount paid for the assets. An applicable asset acquisition includes both a direct and indirect transfer of a group of assets, such as a sale of a business.

A group of assets constitutes a **trade or business** if goodwill or going concern value could under any circumstances attach to such assets. A group of assets could qualify as a trade or business whether or not they qualify as an active trade or business under section 355 (relating to controlled corporations). Factors to consider in making this determination include (a) any excess of the total paid for the assets over the aggregate book value

of the assets (other than goodwill and going concern value) as shown in the buyer's financial accounting books and records, or (b) a license, a lease agreement, a covenant not to compete, a management contract, an employment contract, or other similar agreements between buyer and seller (or managers, directors, owners, or employees of the seller).

The buyer's **consideration** is the cost of the assets. The seller's consideration is the amount realized.

Fair market value is the gross fair market value unreduced by mortgages, liens, pledges, or other liabilities. However, for determining the seller's gain or loss, generally, the fair market value of any property is not less than any nonrecourse debt to which the property is subject.

Class I assets are cash, demand deposits, and similar accounts in banks, savings and loan associations and other depository institutions, and other similar items that may be designated in the Internal Revenue Bulletin.

Class II assets are certificates of deposit, U.S. Government securities, readily marketable stock or securities, foreign currency, and other items that may be designated in the Internal Revenue Bulletin.

Class III assets are all tangible and intangible assets that are not Class I, II, or IV assets. Examples of Class III assets are furniture and fixtures, land, buildings, equipment, a covenant not to compete, and accounts receivable.

Class IV assets are intangible assets in the nature of goodwill and going concern value.

Allocation of Consideration

An allocation of the purchase price must be made to determine the buyer's basis in each acquired asset and the seller's gain or loss on the transfer of each asset. Use the residual method for the allocation of the sales price among the goodwill and other assets transferred. See Regulations section 1.1060-1T(d). The amount allocated to an asset, other than a Class IV asset, cannot exceed its fair market value on the purchase date. The amount you can allocate to an asset also is subject to any applicable limits under the Internal Revenue Code or general principles of tax law. For example, see section 1056 for the basis limitation for player contracts transferred in connection with the sale of a franchise.

First, reduce the consideration by the amount of Class I assets transferred. Next, allocate the remaining consideration to Class II assets in proportion to their fair market values on the purchase date, then to Class III assets in proportion to their fair market values on the purchase date, and finally to Class IV assets.

Reallocation After an Increase or Decrease in Consideration

If an increase or decrease in consideration that must be taken into account to redetermine the seller's amount realized on the sale or the buyer's cost basis in the assets occurs after the purchase date, the seller and/or the buyer must allocate the increase or decrease among the assets. If the increase or decrease occurs in the same tax year as the purchase date, consider the increase or decrease to have occurred on the purchase date. If the increase or decrease occurs after the tax year of the purchase date, consider it in the tax year in which it occurs.

For an increase or decrease related to a patent, copyright, etc., follow the rules under *Specific Allocation*, described below.

Allocation of Increase.—Allocate an increase in consideration as described above under *Allocation of Consideration*. If an asset has been disposed of, depreciated, amortized, or depleted by the buyer before the increase occurs, any amount allocated to such asset by the buyer must be properly taken into account under principles of tax law applicable when part of the cost of an asset (not previously reflected in its basis) is paid after the asset has been disposed of, depreciated, amortized, or depleted.

Allocation of Decrease.—Allocate a decrease in the following order: (1) reduce the amount previously allocated to Class IV assets, (2) reduce the amount previously allocated to Class III assets in proportion to their fair market values on the purchase date, and (3) reduce the amount previously allocated to Class II assets in proportion to their fair market values on the purchase date.

You cannot decrease the amount allocated to an asset below zero. If an asset has a basis of zero at the time the decrease is taken into account because it has been disposed of, depreciated, amortized, or depleted by the buyer, the decrease in consideration allocable to such asset must be properly taken into account under principles of tax law applicable when the cost of an asset (previously reflected in basis) is reduced after the asset has been disposed of, depreciated, amortized, or depleted. An asset is considered to have been disposed of to the extent the decrease allocated to it would reduce its basis below zero.

Patents, Copyrights, and Similar Property.—You must make a *specific allocation* if an increase or decrease is the result of a contingency that directly relates to income produced by a particular intangible asset, such as a patent, a secret process, or a copyright, and the increase or decrease is related only to such asset and not to other assets. If the specific allocation rule does not apply, make an allocation of any increase or decrease as you would for any other assets as described above under *Allocation of Increase and Allocation of Decrease*.

Specific allocation.—Limited to the fair market value of the asset, any increase or decrease is allocated first specifically to the patent, copyright, or similar property to which the increase or decrease relates, and then to the other assets in the order described above under *Allocation of Increase and Allocation of Decrease*. For purposes of applying the fair market value limit to the patent, copyright, or similar property, the fair market value of such asset is redetermined when the increase or decrease is taken into account by considering only the reasons for the increase or decrease. However, the fair market values of the other assets are not redetermined.

Specific Instructions

For an original statement, complete Parts I, II, and, if applicable, III. For a Supplemental Statement, complete Parts I and IV.

Part I, Identification number as shown on tax return.—You are required to provide your taxpayer identification number (TIN) and the TIN of the other person (buyer or seller) who entered into this transaction. For an individual or sole proprietor, enter the social security number. For a corporation, partnership, or other entity, enter the employer identification number.

Part I, Item 3.—Enter the date on which the sale of the assets occurs.

Part I, Item 4.—Enter the total consideration transferred for the assets.

Part II.—For a particular class of assets, enter the total fair market value of all the assets in the class and the total allocation of the sales price. For Item 3, to determine the maximum consideration to be paid, assume that any contingencies specified in the agreement are met and that the consideration paid is the highest amount possible. If you cannot determine the maximum consideration, state how the consideration will be computed and the payment period.

Part III.—Enter in Part III only those Class III assets that are intangible and amortizable. Be sure to enter the total Class III assets in Part II.

Part IV.—Complete Part IV and file a new Form 8594 for each year that an increase or decrease in consideration occurs. Give the reason(s) for the increase or decrease in allocation. Also, enter the form number and tax year with which the original and any supplemental statements were filed. For example, enter "1987 Form 1040." If an original or supplemental Form 8594 was not required to be filed, so state.