

Reduction of Tax Attributes Due to Discharge of Indebtedness

(Also, Section 1082 Basis Adjustment)

OMB No. 1545-0046
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Attachment
 Sequence No. **51**

▶ **Attach this form to your income tax return.**

Name	Identifying number (SSN or EIN)
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Part I General Information

- 1** Amount excluded is due to (check applicable box(es)):
- a** Discharge of indebtedness in a title 11 case
 - b** Discharge of indebtedness to the extent insolvent (not in a title 11 case)
 - c** Discharge of "qualified business indebtedness" occurring before January 1, 1987 (not in a title 11 case nor to the extent the taxpayer is insolvent)
 - d** Discharge of "qualified farm indebtedness" (See instructions for line 1d before completing Part II)
- 2** Total amount of discharged indebtedness excluded from gross income 2
- 3** Do you elect to treat all real property described in section 1221(1), relating to property held for sale to customers in the ordinary course of a trade or business, as if it were depreciable property? Yes No

Part II Reduction of Tax Attributes

Note: You must attach a description of the transactions resulting in the reduction in basis under section 1017.

Enter amount excluded from gross income:		
4 Under 1a and/or 1b which you elect to apply first to reduce the basis (under section 1017) of depreciable property	4	
5 Applied to reduce any net operating loss which occurred in the tax year of the discharge or carried over to the tax year of the discharge	5	
6 Applied to reduce certain credit carryovers comprising the general business credit to or from the tax year of the discharge	6	
7 Applied to reduce any net capital loss for the taxable year of the discharge including any capital loss carryovers to the tax year of discharge	7	
8 Applied to reduce the basis of nondepreciable assets and depreciable assets if not reduced on line 4 except in the case of discharge of qualified farm indebtedness	8	
9 Applied to reduce any carryover to or from the taxable year of the discharge for determining the foreign tax credit	9	
10 Which you elect to treat as qualified business indebtedness and apply to reduce the basis of depreciable property	10	
11 For discharge of qualified farm indebtedness, applied to reduce the basis of property other than the basis of land used or held for use in the trade or business of farming	11	
12 For discharge of qualified farm indebtedness, applied to reduce the basis of land used or held for use in the trade or business of farming	12	

Part III Consent of Corporation to Adjustment of Basis of its Property Under Section 1082(a)(2) of the Internal Revenue Code

The corporation named above has excluded under section 1081(b) of the Internal Revenue Code \$ _____

from its gross income for the tax year beginning _____, and ending _____

Under that section the corporation consents to have the basis of its property adjusted in accordance with the regulations prescribed under section 1082(a)(2) of the Internal Revenue Code in effect at the time of filing its income tax return for that year. The corporation is

organized under the laws of _____
(State of incorporation)

Note: You must attach a description of the transactions resulting in the nonrecognition of gain under section 1081.

Signature

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

(Signature—if individual taxpayer)

(Date)

(Signature of officer—if corporate taxpayer)

(Title)

(Date)

General 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.

Changes You Should Note.—

- Discharges of qualified business indebtedness that occur after December 31, 1986 (other than discharges that occur when a taxpayer is insolvent or in a title 11 case) will result in the current recognition of income in the amount of the discharge. In these situations, taxpayers cannot elect to exclude the amount of the discharge from gross income.
- Certain solvent farmers will be treated as insolvent for discharges of qualified farm indebtedness owed to an unrelated lender. This rule applies to discharges occurring after April 9, 1986, in tax years ending after that date. See the instructions for line 1d and section 108(g) for additional information.

Purpose of Form.—Generally, a discharge of indebtedness is included in your gross income. However, if the discharge occurred in one of the situations described below, you may be able to exclude the amount from your gross income. Use Form 982 for this purpose.

Use Parts I and II to report amounts you are excluding from income because they are due to:

- Discharge of indebtedness in a title 11 case;
- Discharge of indebtedness to the extent insolvent (not in a title 11 case);
- Discharge of “qualified business indebtedness” occurring before January 1, 1987 (not in a title 11 case nor to the extent insolvent); or
- Discharge of “qualified farm indebtedness” occurring after April 9, 1986, in tax years ending after that date.

Use Part III to exclude from gross income under section 1081(b) any amounts of income attributable to the transfer of property described in that section.

When To File.—File Form 982 with your original income tax return for the tax year in which the discharge of indebtedness was obtained or the transfer of property occurred. If you fail to file this form with your original return, you must file it with an amended return or claim for credit or refund if the discharge of indebtedness occurred in a title 11 case, involved qualified farm indebtedness, or occurred to the extent you were insolvent.

You must establish reasonable cause for not making the applicable elections on this form with your original return before you are entitled to make them with an amended return or claim for credit or refund. These elections include the section 1017(b)(3)(E)

election to treat certain inventory as depreciable property (line 3), the section 108(b)(5) election to reduce basis ahead of other tax attributes (not applicable to qualified farm indebtedness) (line 4), and the election to reduce the basis of depreciable property under section 108(d)(4) for a qualified business indebtedness (line 10).

Specific Instructions

Part I

Lines 1a and 1b.—If you checked line 1a and/or line 1b (but not line 1c), you may elect, by completing line 4, to apply all or a portion of the debt discharge amount to first reduce the basis in depreciable property (including property you elected on line 3 to treat as depreciable property). Any balance of the debt discharge amount will then be applied to reduce the tax attributes in the order listed on lines 5–9. Do not complete line 10. You must attach a statement describing the transactions which resulted in the reduction in basis and identifying the property of which the basis was reduced. If you do not make the election on line 4, go directly to lines 5–9 to reduce your attributes. See section 1017(b)(2) and (c) for limitations of reductions in basis on line 8.

Line 1c.—Qualified business indebtedness is the amount of indebtedness that was incurred or assumed either:

- (1) By a corporation, or
- (2) By an individual in connection with property used in the individual's trade or business. Also, you must make an election under section 108 with respect to the indebtedness. If the discharge amount exceeds the basis available for reduction with respect to qualified business indebtedness, the excess must be included in gross income.

If you checked only line 1c, you may elect, by completing line 10, to exclude the debt discharge amount and reduce your basis in depreciable property (including property you elected on line 3). Do not complete lines 4–9.

You must attach a statement describing the transactions which resulted in the reduction in basis and identifying the property of which the basis was reduced.

For more information, see **Publication 908**, Bankruptcy.

Line 1d.—Qualified farm indebtedness is the amount of indebtedness incurred directly in connection with the trade or business of farming. Among the other provisions is a requirement that 50% or more of the average annual gross receipts of the taxpayer for the 3 tax years preceding the tax year in which the discharge of indebtedness occurs be attributable to the trade or business of farming. Additional rules will be provided in a forthcoming revenue ruling.

If you checked line 1d, the debt discharge amount will be applied to reduce the tax attributes in the order listed on lines 5, 6, 7, and 9. Any remaining amount will be applied first to reduce the basis of property other than the basis of land used or held for use in the trade or business of farming (line 11), and then to reduce the basis of land used or held for use in the trade or business of farming (line 12).

Line 2.—Enter the total amount excluded from your gross income due to discharge of indebtedness under sections 108 and 1017. If you checked line 1a, 1b, and/or 1d, this amount will not necessarily equal the total reductions on lines 4–9 because the debt discharge amount may exceed the total tax attributes.

Line 3.—You may elect to treat all real property held as inventory in a trade or business as if it were depreciable property. You make the election by checking the “Yes” box on this line.

Part II

Line 6.—If you use **Form 3800**, General Business Credit, you must refigure the amount of the carryover to be claimed without including the ESOP credit. If you do not use Form 3800, you may arrive at the total credit by combining the carryovers from the following forms:

- **Form 3468**, Computation of Investment Credit;
- **Form 5884**, Jobs Credit;
- **Form 6478**, Credit for Alcohol Used As Fuel;
- **Form 6765**, Credit for Increasing Research Activities (or for claiming the orphan drug credit); and
- **Form 8586**, Low-Income Housing Credit.

Part III

Adjustment to Basis.—Unless it specifically states otherwise, the corporation, by filing this form, agrees to have the general rule for adjusting the basis of property (as described in regulations section 1.1082-3(b)) applied.

If the corporation desires to have the basis of its property adjusted in a manner different from the general rule, it must attach a request for variation from the general rule. The request must show the precise method used and the allocation of amounts.

Consent to the request for variation from the general rule will be effective only if incorporated in a closing agreement entered into by the corporation and the Commissioner of Internal Revenue under the provisions of section 7121. If no agreement is entered into, then the general rule will apply in the determination of the basis of the corporation's property.

Signature.—Form 982 must be signed by the taxpayer. If the taxpayer is a corporation, this form must be signed either by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or by any other corporate officer (such as tax officer) who is authorized to sign. A receiver, trustee, or assignee must sign any form that is required to be filed on behalf of a corporation.