

# Installment Sales

## Course Description

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An installment sale is a sale of property where one or more payments are received after the close of the tax year. This mini-course discusses the particulars of installment sales, including requirements, calculation and pitfalls. Cross issues such as a combined installment sale and like-kind exchange, the impact of related parties, pledging, repossession and contingent payments are reviewed. Also, the importance of recognizing the dangers of dealer status, inventory, purchase price allocation, and installment note disposition are emphasized.

**Completion Deadline & Exam:** This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

**Course Level:** Overview. This program is appropriate for professionals at all organizational levels.

**CPE Credits:** 2 (CPA, EA)

**Category:** Taxes

**Prerequisite:** General understanding of federal income taxation.

**Advanced Preparation:** None

## Course Learning Objectives

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### Lesson 1: Installment Sales

1. Recognize the importance, particularly in tax deferral, of the installment method, and identify Section 453 requirements noting installment method terminology.
2. Specify the imputed interest, OID and Section 1038 repossession rules affecting installment sales and subsequent repossessions.
3. Identify the following Section 453 pitfalls and complexities: the related party limitation, the regulations governing the use of the installment sale method in like-kind exchanges and the contingent payment sale rules.
4. Determine how to allocate and report installments payments among identified asset classes using R.R. 76-110 and the residual method noting Section 453 prohibitions on certain assets regarding dealer dispositions and inventory.
5. Identify the amount of interest payable on tax-deferred income when Section 453 dispositions exceed \$5 million and circumstances considered taxable dispositions of installment obligations to determine when any gain or loss is recognized.