Installment Sales

Course Description

An installment sale is a sale of property where one or more payments are received after the close of the tax year. This course discusses the particulars of installment sales, including requirements, calculations 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.

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

Lesson 1:   Installment Sales

1. Recognize the importance, particularly in tax deferral, of the installment method, and identify Section 453 requirements and 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 recognizing 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.