

lows: “For purposes of this section, a partnership has a substantial built-in loss with respect to a transfer of an interest in a partnership if the partnership’s adjusted basis in the partnership property exceeds by more than \$250,000 the fair market value of such property.”

Subsec. (e)(4) to (7). Pub. L. 115-97, § 13504(b)(2), redesignated pars. (5) to (7) as (4) to (6), respectively, and struck out former par. (4). Prior to amendment, text of par. (4) read as follows: “This subsection shall be applied without regard to any termination of a partnership under section 708(b)(1)(B).”

2004—Pub. L. 108-357, § 833(b)(6)(A), substituted “Special rules where section 754 election or substantial built-in loss” for “Optional adjustment to basis of partnership property” in section catchline.

Subsec. (a). Pub. L. 108-357, § 833(b)(1), inserted “or unless the partnership has a substantial built-in loss immediately after such transfer” before period at end.

Subsec. (b). Pub. L. 108-357, § 833(b)(2), inserted “or which has a substantial built-in loss immediately after such transfer” after “section 754 is in effect” in introductory provisions.

Subsec. (d). Pub. L. 108-357, § 833(b)(3), added subsec. (d).

Subsec. (e). Pub. L. 108-357, § 833(b)(4)(A), added subsec. (e).

Subsec. (f). Pub. L. 108-357, § 833(b)(5), added subsec. (f).

1984—Subsec. (b). Pub. L. 98-369 substituted “property contributed to the partnership by a partner, section 704(c) (relating to contributed property) shall apply in determining such share” for “an agreement described in section 704(c)(2) (relating to effect of partnership agreement on contributed property), such share shall be determined by taking such agreement into account” in penultimate sentence.

1976—Subsec. (b). Pub. L. 94-455 struck out “or his delegate” after “Secretary”.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2017 AMENDMENT

Pub. L. 115-97, title I, § 13502(b), Dec. 22, 2017, 131 Stat. 2141, provided that: “The amendments made by this section [amending this section] shall apply to transfers of partnership interests after December 31, 2017.”

Amendment by section 13504(b)(2) of Pub. L. 115-97 applicable to partnership taxable years beginning after Dec. 31, 2017, see section 13504(c) of Pub. L. 115-97, set out as a note under section 168 of this title.

EFFECTIVE DATE OF 2004 AMENDMENT

Pub. L. 108-357, title VIII, § 833(d)(2), Oct. 22, 2004, 118 Stat. 1592, provided that:

“(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by subsection (b) [amending this section and section 6031 of this title] shall apply to transfers after the date of the enactment of this Act [Oct. 22, 2004].

“(B) TRANSITION RULE.—In the case of an electing investment partnership which is in existence on June 4, 2004, section 743(e)(6)(H) [now 743(e)(5)(H)] of the Internal Revenue Code of 1986, as added by this section, shall not apply to such partnership and section 743(e)(6)(I) [now 743(e)(5)(I)] of such Code, as so added, shall be applied by substituting ‘20 years’ for ‘15 years’.”

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable with respect to property contributed to the partnership after Mar. 31, 1984, in taxable years ending after such date, see section 71(c) of Pub. L. 98-369, set out as a note under section 704 of this title.

SUBPART D—PROVISIONS COMMON TO OTHER SUBPARTS

Sec.
751. Unrealized receivables and inventory items.

Sec.
752. Treatment of certain liabilities.
753. Partner receiving income in respect of decedent.
754. Manner of electing optional adjustment to basis of partnership property.
755. Rules for allocation of basis.

§ 751. Unrealized receivables and inventory items

(a) Sale or exchange of interest in partnership

The amount of any money, or the fair market value of any property, received by a transferor partner in exchange for all or a part of his interest in the partnership attributable to—

- (1) unrealized receivables of the partnership,
- or
- (2) inventory items of the partnership,

shall be considered as an amount realized from the sale or exchange of property other than a capital asset.

(b) Certain distributions treated as sales or exchanges

(1) General rule

To the extent a partner receives in a distribution—

- (A) partnership property which is—
 - (i) unrealized receivables, or
 - (ii) inventory items which have appreciated substantially in value,

in exchange for all or a part of his interest in other partnership property (including money), or

- (B) partnership property (including money) other than property described in subparagraph (A)(i) or (ii) in exchange for all or a part of his interest in partnership property described in subparagraph (A)(i) or (ii),

such transactions shall, under regulations prescribed by the Secretary, be considered as a sale or exchange of such property between the distributee and the partnership (as constituted after the distribution).

(2) Exceptions

Paragraph (1) shall not apply to—

- (A) a distribution of property which the distributee contributed to the partnership, or
- (B) payments, described in section 736(a), to a retiring partner or successor in interest of a deceased partner.

(3) Substantial appreciation

For purposes of paragraph (1)—

(A) In general

Inventory items of the partnership shall be considered to have appreciated substantially in value if their fair market value exceeds 120 percent of the adjusted basis to the partnership of such property.

(B) Certain property excluded

For purposes of subparagraph (A), there shall be excluded any inventory property if a principal purpose for acquiring such property was to avoid the provisions of this subsection relating to inventory items.

(c) Unrealized receivables

For purposes of this subchapter, the term “unrealized receivables” includes, to the extent not