Form **6252**

Department of the Treasury
Internal Revenue Service

Installment Sale Income

▶ Attach to your tax return.
▶ Use a separate form for each sale or other disposition of property on the installment method.

OMB No. 1545-0228

2008

Attachment Sequence No. 79

Name(s) shown on return | Identifying number

1 Description of property ▶
2a Date acquired (month, day, year) ▶ / / **b** Date sold (month, day, year) ▶ / /
3 Was the property sold to a related party (see instructions) after May 14, 1980? If "No," skip line 4. ☐ Yes ☐ No
4 Was the property you sold to a related party a marketable security? If "Yes," complete Part III. If "No," complete Part III for the year of sale and the 2 years after the year of sale ☐ Yes ☐ No

Part I Gross Profit and Contract Price. Complete this part for the year of sale only.

5	Selling price including mortgages and other debts. **Do not** include interest whether stated or unstated	5	
6	Mortgages, debts, and other liabilities the buyer assumed or took the property subject to (see instructions)	6	
7	Subtract line 6 from line 5	7	
8	Cost or other basis of property sold	8	
9	Depreciation allowed or allowable	9	
10	Adjusted basis. Subtract line 9 from line 8	10	
11	Commissions and other expenses of sale	11	
12	Income recapture from Form 4797, Part III (see instructions)	12	
13	Add lines 10, 11, and 12	13	
14	Subtract line 13 from line 5. If zero or less, **do not** complete the rest of this form (see instructions)	14	
15	If the property described on line 1 above was your main home, enter the amount of your excluded gain (see instructions). Otherwise, enter -0-	15	
16	**Gross profit.** Subtract line 15 from line 14	16	
17	Subtract line 13 from line 6. If zero or less, enter -0-	17	
18	**Contract price.** Add line 7 and line 17	18	

Part II Installment Sale Income. Complete this part for the year of sale **and** any year you receive a payment or have certain debts you must treat as a payment on installment obligations.

19	Gross profit percentage (expressed as a decimal amount). Divide line 16 by line 18. For years after the year of sale, see instructions	19	
20	If this is the year of sale, enter the amount from line 17. Otherwise, enter -0-	20	
21	Payments received during year (see instructions). **Do not** include interest, whether stated or unstated	21	
22	Add lines 20 and 21	22	
23	Payments received in prior years (see instructions). **Do not** include interest, whether stated or unstated	23	
24	**Installment sale income.** Multiply line 22 by line 19	24	
25	Enter the part of line 24 that is ordinary income under the recapture rules (see instructions)	25	
26	Subtract line 25 from line 24. Enter here and on Schedule D or Form 4797 (see instructions)	26	

Part III Related Party Installment Sale Income. Do not complete if you received the final payment this tax year.

27 Name, address, and taxpayer identifying number of related party

28 Did the related party resell or dispose of the property ("second disposition") during this tax year? ☐ Yes ☐ No

29 **If the answer to question 28 is "Yes," complete lines 30 through 37 below unless one of the following conditions is met. Check the box that applies.**

a ☐ The second disposition was more than 2 years after the first disposition (other than dispositions of marketable securities). If this box is checked, enter the date of disposition (month, day, year) ▶ / /

b ☐ The first disposition was a sale or exchange of stock to the issuing corporation.

c ☐ The second disposition was an involuntary conversion and the threat of conversion occurred after the first disposition.

d ☐ The second disposition occurred after the death of the original seller or buyer.

e ☐ It can be established to the satisfaction of the Internal Revenue Service that tax avoidance was not a principal purpose for either of the dispositions. If this box is checked, attach an explanation (see instructions).

30	Selling price of property sold by related party (see instructions)	30	
31	Enter contract price from line 18 for year of first sale	31	
32	Enter the **smaller** of line 30 or line 31	32	
33	Total payments received by the end of your 2008 tax year (see instructions)	33	
34	Subtract line 33 from line 32. If zero or less, enter -0-	34	
35	Multiply line 34 by the gross profit percentage on line 19 for year of first sale	35	
36	Enter the part of line 35 that is ordinary income under the recapture rules (see instructions)	36	
37	Subtract line 36 from line 35. Enter here and on Schedule D or Form 4797 (see instructions)	37	

General Instructions

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

Purpose of Form

Generally, use Form 6252 to report income from casual sales during this tax year of real or personal property (other than inventory) if you will receive any payments in a tax year after the year of sale. For years after the year of an installment sale, see *Which Parts To Complete* below.

Do not file Form 6252 for sales that do not result in a gain, even if you will receive a payment in a tax year after the year of sale. Instead, report the entire sale on Form 4797, Sales of Business Property, or the Schedule D for your tax return, whichever applies.

Do not file Form 6252 to report sales during the tax year of stock or securities traded on an established securities market. Instead, treat all payments as received during this tax year.

Do not file Form 6252 if you elect not to report the sale on the installment method. To elect out, report the full amount of the gain on a timely filed return (including extensions) on Form 4797 or the Schedule D for your tax return, whichever applies. If you filed your original return on time without making the election, you can make the election on an amended return filed no later than 6 months after the due date of your tax return, excluding extensions. Write “Filed pursuant to section 301.9100-2” at the top of the amended return.

Which Parts To Complete

Year of Sale

Complete lines 1 through 4, Part I, and Part II. If you sold property to a related party during the year, also complete Part III.

Later Years

Complete lines 1 through 4 and Part II for any year in which you receive a payment from an installment sale.

If you sold a marketable security to a related party after May 14, 1980, and before January 1, 1987, complete Form 6252 for each year of the installment agreement, even if you did not receive a payment. Complete lines 1 through 4. Complete Part II for any year in which you receive a payment from the sale. Complete Part III unless you received the final payment during the tax year.

After December 31, 1986, the installment method is not available for the sale of marketable securities.

If you sold property other than a marketable security to a related party after May 14, 1980, complete Form 6252 for the year of sale and for 2 years after the year of sale, even if you did not receive a payment. Complete lines 1 through 4. Complete Part II for any year during this 2-year period in which you receive a payment from the sale. Complete Part III for the 2 years after the year of sale unless you received the final payment during the tax year.

Special Rules

Interest

If any part of an installment payment you received is for interest or original issue discount, report that income on the appropriate form or schedule. Do not report interest received, carrying charges received, or unstated interest on Form 6252. See Pub. 537, Installment Sales, for details on unstated interest.

Installment Sales to Related Party

A special rule applies to a first disposition (sale or exchange) of property under the installment method to a related party who then makes a second disposition (sale, exchange, gift, or cancellation of installment note) before making all payments on the first disposition. For this purpose, a related party includes your spouse, child, grandchild, parent, brother, sister, or a related corporation, S corporation, partnership, estate, or trust. See section 453(f)(1) for more details.

Under this rule, treat part or all of the amount the related party realized (or the fair market value (FMV) if the disposed property is not sold or exchanged) from the second disposition as if you received it from the first disposition at the time of the second disposition. Figure the gain, if any, on lines 30 through 37. This rule does not apply if any of the conditions listed on line 29 are met.

Sale of Depreciable Property to Related Person

Generally, if you sell depreciable property to a related person (as defined in section 453(g)(3)), you cannot report the sale using the installment method. For this purpose, depreciable property is any property that can be depreciated by a person or entity to whom you transfer it. However, you can use the installment method if you can show to the satisfaction of the IRS that avoidance of federal income taxes was not one of the principal purposes of the sale (for example, no significant tax deferral benefits will result from the sale). If the installment method does not apply, report the sale on Schedule D or Form 4797, whichever applies. Treat all payments you will receive as if they were received in the year of sale. Use FMV for any payment that is contingent as to amount. If the FMV cannot be readily determined, basis is recovered ratably.

Pledge Rule

For certain dispositions under the installment method, if an installment obligation is pledged as security on a debt, the net proceeds of the secured debt are treated as payment on the installment obligation. However, the amount treated as payment cannot be more than the excess of the total installment contract price over any payments received under the contract before the secured debt was obtained.

An installment obligation is pledged as security on a debt to the extent that payment of principal and interest on the debt is directly secured by an interest in the installment obligation. For sales after December 16, 1999, payment on a debt is treated as directly secured by an interest in an installment obligation to the extent an arrangement allows you to satisfy all or part of the debt with the installment obligation.

The pledge rule applies to any installment sale after 1988 with a sales price of over $150,000 except:

- Personal use property disposed of by an individual,
- Farm property, and
- Timeshares and residential lots.

However, the pledge rule does not apply to pledges made after December 17, 1987, if the debt is incurred to refinance the principal amount of a debt that was outstanding on December 17, 1987, and was secured by nondealer real property installment obligations on that date and at all times after that date until the refinancing. This exception does not apply to the extent that the principal amount of the debt resulting from the refinancing exceeds the principal amount of the refinanced debt immediately before the refinancing. Also, the pledge rule does not affect refinancing due to the calling of a debt by the creditor if the debt is then refinanced by a person other than this creditor or someone related to the creditor.

Interest on Deferred Tax

Generally, you must pay interest on the deferred tax related to any obligation that arises during a tax year from the disposition of property under the installment method if:

- The property had a sales price over $150,000, and

- The aggregate balance of all nondealer installment obligations arising during, and outstanding at the close of, the tax year is more than $5 million.

You must pay interest in subsequent years if installment obligations that originally required interest to be paid are still outstanding at the close of a tax year.

The interest rules do not apply to dispositions of:

- Farm property,
- Personal use property by an individual,
- Real property before 1988, or
- Personal property before 1989.

See IRC 453(l) for more information on the sale of timeshares and residential lots under the installment method.

How to report the interest. The interest is not figured on Form 6252. See Pub. 537, Installment Sales, for details on how to report the interest.

Additional Information

See Pub. 537 for additional information, including details about reductions in selling price, the single sale of several assets, like-kind exchanges, dispositions of installment obligations, and repossessions.

Specific Instructions

Part I—Gross Profit and Contract Price

Line 5

Enter the total of any money, face amount of the installment obligation, and the FMV of other property that you received or will receive in exchange for the property sold. Include on line 5 any existing mortgage or other debt the buyer assumed or took the property subject to. Do not include stated interest, unstated interest, any amount recomputed or recharacterized as interest, or original issue discount.

If there is no stated maximum selling price, such as in a contingent payment sale, attach a schedule showing the computation of gain. Enter the taxable part of the payment on line 24 and also on line 35 if Part III applies. See Temporary Regulations section 15A.453-1.

Line 6

Enter only mortgages or other debts the buyer assumed from the seller or took the property subject to. Do not include new mortgages the buyer gets from a bank, the seller, or other sources.

Line 8

Enter the original cost and other expenses you incurred in buying the property. Add the cost of improvements, etc., and subtract any diesel-powered highway vehicle, enhanced oil recovery, disabled access, new markets, or employer-provided child care credit or casualty losses previously allowed. For details, see Pub. 551, Basis of Assets.

Line 9

Enter all depreciation or amortization you deducted or were allowed to deduct from the date of purchase until the date of sale. Add any section 179 expense deduction; the commercial revitalization deduction; the basis reduction to investment credit property; the deduction for qualified clean-fuel vehicle property or refueling property; deductions claimed under section 190, 193, or 1253(d)(2) or (3) (as in effect before the enactment of P.L. 103-66); and the basis reduction for the qualified electric vehicle credit. Subtract any recapture of basis reduction to investment credit property; any section 179 or 280F recapture amount included in gross income in a prior tax year; any qualified clean-fuel vehicle property or refueling property deduction you were required to recapture because the property ceased to be eligible for the deduction; any recapture of the employer-provided child care facilities and services credit; and any basis increase for qualified electric vehicle recapture.

Line 11

Enter sales commissions, advertising expenses, attorney and legal fees, etc., incurred to sell the property.

Line 12

Any ordinary income recapture under section 1245 or 1250 (including sections 179 and 291) is fully taxable in the year of sale even if no payments were received. To figure the recapture amount, complete Form 4797, Part III. The ordinary income recapture is the amount on line 31 of Form 4797. Enter it on line 12 of Form 6252 and also on line 13 of Form 4797. Do not enter any gain for this property on line 32 of Form 4797. If you used Form 4797 only to figure the recapture amount on line 12 of Form 6252, enter "N/A" on line 32 of Form 4797. Partnerships and S corporations and their partners and shareholders, see the Instructions for Form 4797.

Line 14

Do not file Form 6252 if line 14 is zero or less. Instead, report the entire sale on Form 4797 or the Schedule D for your tax return.

Line 15

If the property described on line 1 was your main home, you may be able to exclude part or all of your gain. See Pub. 523, Selling Your Home, for details.

Part II—Installment Sale Income

Line 19

Enter the gross profit percentage (expressed as a decimal amount) determined for the year of sale even if you did not file Form 6252 for that year.

Line 21

Enter all money and the FMV of any property you received in 2008. Include as payments any amount withheld to pay off a mortgage or other debt or to pay broker and legal fees. Generally, do not include as a payment the buyer's note, a mortgage, or other debt assumed by the buyer. However, a note or other debt that is payable on demand or readily tradable in an established securities market is considered a payment. For sales occurring before October 22, 2004, a note or other debt is considered a payment only if it was issued by a corporation or governmental entity. If you did not receive any payments in 2008, enter zero. If in prior years an amount was entered on the equivalent of line 32 of the 2008 form, do not include it on this line. Instead, enter it on line 23. See *Pledge Rule* on page 2 for details about proceeds of debt secured by installment obligations that must be treated as payments on installment obligations.

Line 23

Enter all money and the FMV of property you received before 2008 from the sale. Include allocable installment income and any other deemed payments from prior years.

Deemed payments include amounts deemed received because of:

- A second disposition by a related party, or
- The pledge rule of section 453A(d).

Line 25

Enter here and on Form 4797, line 15, any ordinary income recapture on section 1252, 1254, or 1255 property for the year of sale or all remaining recapture from a prior year sale. Do not enter ordinary income from a section 179 expense deduction. If this is the year of sale, complete Form 4797, Part III. The amount from line 27c, 28b, or 29b of Form 4797 is the ordinary income recapture. Do not enter any gain for this property on line 31 or 32 of Form 4797. If you used Form 4797 only to figure the recapture on line 25 or 36 of Form 6252, enter "N/A" on lines 31 and 32 of Form 4797.

Also report on this line any ordinary income recapture remaining from prior years on section 1245 or 1250 property sold before June 7, 1984.

Do not enter on line 25 more than the amount shown on line 24. Any excess must be reported in future years on Form 6252 up to the taxable part of the installment sale until all of the recapture has been reported.

Line 26

For trade or business property held more than 1 year, enter this amount on Form 4797, line 4. If the property was held 1 year or less or you have an ordinary gain from the sale of a noncapital asset (even if the holding period is more than 1 year), enter this amount on Form 4797, line 10, and write "From Form 6252." If the property was section 1250 property (generally, real property that you depreciated) held more than 1 year, figure the total amount of unrecaptured section 1250 gain included on line 26 using the *Unrecaptured Section 1250 Gain Worksheet* in the Instructions for Schedule D (Form 1040).

For capital assets, enter this amount on Schedule D as a short- or long-term gain on the lines identified as from Form 6252.

Part III—Related Party Installment Sale Income

Line 29

If one of the conditions is met, check the appropriate box and skip lines 30 through 37. If you checked box 29e, attach an explanation. Generally, the nontax avoidance exception will apply to the second disposition if:

- The disposition was involuntary (for example, a creditor of the related party foreclosed on the property or the related party declared bankruptcy), or
- The disposition was an installment sale under which the terms of payment were substantially equal to or longer than those for the first sale. However, the resale terms must not permit significant deferral of recognition of gain from the first sale (for example, amounts from the resale are being collected sooner).

Line 30

If the related party sold all or part of the property from the original sale in 2008, enter the amount realized from the part resold. If part was sold in an earlier year and part was sold this year, enter the cumulative amount realized from the resale.

Amount realized. The amount realized from a sale or exchange is the total of all money received plus the FMV of all property or services received. The amount realized also includes any liabilities that were assumed by the buyer and any liabilities to which the property transferred is subject, such as real estate taxes or a mortgage. For details, see Pub. 544.

Line 33

If you completed Part II, enter the sum of lines 22 and 23. Otherwise, enter all money and the FMV of property you received before 2008 from the sale. Include allocable installment income and any other deemed payments from prior years. Do not include interest, whether stated or unstated.

Line 36

See the instructions for line 25. Do not enter on line 36 more than the amount shown on line 35. Any excess must be reported in future years on Form 6252 up to the taxable part of the installment sale until all of the recapture has been reported.

Line 37

See the instructions for line 26.

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

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping . . . . 1 hr., 18 min.

Learning about the law or the form . . . . 24 min.

Preparing the form . . . . 1 hr.

Copying, assembling, and sending the form to the IRS . . . . 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.