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# Instructions for Form 7217

## Partner's Report of Property Distributed by a Partnership

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

### General Instructions

#### Future Developments

For the latest information about developments related to Form 7217 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form7217](https://www.irs.gov/Form7217).

#### Purpose of Form

Form 7217 is filed by any partner receiving a distribution of property from a partnership in a non-liquidating or liquidating distribution to report the basis of the distributed property, including any basis adjustment to such property as required by section 732(a)(2) or (b).

#### Who Must File

File with your annual tax return a separate Form 7217 for each date during the tax year that you actually (and not constructively) received distributed property subject to section 732. If you received distributed properties subject to section 732 on different days during the tax year, even if part of the same transaction, file a separate Form 7217 for each date that you received the properties. Do not file Form 7217 if the distribution consisted only of money or marketable securities treated as money. Also, do not file Form 7217 for payments to you for services other than in your capacity as a partner under section 707(a)(1) or for transfers that are treated as disguised sales under section 707(a)(2)(B).

#### When To File

File Form 7217 by attaching it to your tax return for the tax year you actually (and not constructively) received distributed property subject to section 732. Form 7217 is due at the time your tax return is due, including any extensions.

#### Which Version or Revision To Use

Use the December 2024 version of Form 7217 for tax years beginning in 2024 or later, until a later revision is issued. All later revisions will be available at [IRS.gov/Form7217](https://www.irs.gov/Form7217).

## Specific Instructions

### General Information

Enter your name, tax identification number (TIN), the name of the partnership that distributed the property to you, the partnership's employer identification number (EIN), and the date of the distribution on the appropriate lines. A TIN can be a social security number (SSN).

### Part I—Aggregate Basis of Distributed Property on Distribution Date

#### Line 1

Check the box to indicate whether the distribution was in complete liquidation of your interest in the partnership.

#### Line 2

Check the box to indicate whether any part of the distribution was treated as a sale or exchange under section 751(b). All or part of the distribution is treated as a sale or exchange under section 751(b) to the extent you received unrealized receivables or substantially appreciated inventory in exchange for your interest in other partnership property, or you received other property in exchange for any part of your interest in unrealized receivables or substantially appreciated inventory. If section 751(b) applies to any part of the distribution, attach a statement to Form 7217 showing the calculation of any income, gain, or loss under section 751(b) to you from the distribution. See Regulations section 1.751-1(b)(5).

#### Line 3

Enter the partnership's aggregate basis in the distributed property (other than money) immediately before the distribution, taking into account any adjustments under sections 732(d), 734(b), or 743(b), as applicable. The partnership will report this information to you on your Schedule K-1 (Form 1065), line 19, code C; or, if applicable, in a section 732(d) statement attached to your Schedule K-1 (Form 1065). The amount entered on line 3 should equal the total amount of Part II, line B, column (b).

#### Line 4

Enter the adjusted basis of your interest in the partnership (also known as outside basis) immediately before the distribution. The basis of your interest in the partnership is not directly reported on the Schedule K-1; you are responsible for calculating this amount. For more information on how to calculate the basis in your partnership interest immediately before the distribution, see Partner's Instructions for Schedule K-1 (Form 1065) available at [IRS.gov/instructions/i1065sk1](https://www.irs.gov/instructions/i1065sk1).

#### Line 5

Enter the amount of money you received or were deemed to receive in the distribution. This amount includes marketable securities treated as money and deemed distributions of money under section 752(b). The partnership will report this information to you on your Schedule K-1 (Form 1065), line 19, code A.

## Line 8

Check the box to indicate whether you were required to pay any U.S. tax on the gain entered on line 7, if any, as a result of a distribution of money in excess of your outside basis.

## Line 9

Subtract line 6 from line 4. This is your outside basis reduced by money (including marketable securities treated as money and deemed distributions of money under section 752(b)) you received or were deemed to receive in the distribution.

## Line 10

For a non-liquidating distribution, enter the smaller of line 3 or line 9. For a liquidating distribution, enter the amount from line 9. This is the aggregate amount of basis to be allocated to the distributed property (other than money). This amount should equal the total amount of Part II, line B, column (e).

## Part II—Allocation of Basis of Distributed Property

The partnership will report the information that you will need to complete Part II to you on your Schedule K-1 (Form 1065), line 19, code C; or, if applicable, in a section 732(d) statement attached to your Schedule K-1 (Form 1065). Complete as many copies of Part II as necessary.

### Columns (a) Through (e)

#### Column (a), Description of distributed property.

Enter a description for each distributed property that you received. If applicable, include the asset class code of each distributed property. For a list of asset class codes see Appendix B in Pub. 946.

**Column (b), Partnership's basis in distributed property immediately before the distribution.** Enter the partnership's adjusted tax basis in each distributed property immediately before the distribution. This amount should include any basis adjustments under sections 732(d), 734(b), or 743(b), as applicable. See Regulations sections 1.732-1(d) and 1.732-2 for rules relating to distributions of property with a basis adjustment under section 732(d), 734(b), or 743(b). The total amount (line B) in this column should equal the amount on Part I, line 3.

**Column (c)(i), 732(d).** Indicate if the amount in column (b) includes a special basis adjustment under section 732(d) either because you made an election under 732(d) on your tax return or the special basis adjustment is mandatory.

**Column (c)(ii), 732(f).** Indicate if the distributed property is section 732(f) stock. Generally, property is section 732(f) stock if:

- You are a corporation,
- The distributed property is stock in another corporation,
- You have at least 80% of the total voting power or total value of the stock of such other corporation immediately after the distribution or at any time after the distribution, and

- The amount in column (b) for the property is greater than the amount in column (e). See section 732(f) for details.

**Column (c)(iii), 734(b).** Indicate if the amount in column (b) includes a section 734(b) basis adjustment.

**Column (c)(iv), 743(b).** Indicate if the amount in column (b) includes a section 743(b) basis adjustment. This box should be checked only if you have a section 743(b) basis adjustment with respect to the distributed property.

**Column (d), FMV of distributed property.** Enter the fair market value (FMV) of each distributed property. The partnership will report the FMV of the distributed property to you on your Schedule K-1 (Form 1065), line 19, code C.

**Column (e), Partner's basis in distributed property after application of section 732.** Enter your basis in each distributed property after the application of section 732. For a non-liquidating distribution where the section 732(a)(2) limitation applies, enter your basis in each distributed property after the application of sections 732(a)(2) and (c). For a liquidating distribution, enter your basis in each distributed property after the application of sections 732(b) and (c). The total amount (line B) in this column should equal the amount on Part I, line 10.

## Calculating the Amounts in Column (e) When Section 732(a)(2) or (b) Applies

### Non-Liquidating Distribution When Section 732(a)(2) Applies

Generally, your basis in distributed property equals the partnership's adjusted basis in the property immediately before the distribution under section 732(a)(1). When the partnership's adjusted basis in distributed property (other than money) exceeds your remaining outside basis after reducing it by any money distributed, your basis in the distributed property is limited under section 732(a)(2) to your outside basis. When a distribution limited under section 732(a)(2) consists of multiple properties, the aggregate basis of the distributed properties must be reduced, and the reduced aggregate basis must be allocated among the distributed properties. For the allocation of basis among multiple properties, see section 732(c).

**Example 1—adjustment of partner's basis following distribution of cash and property.** Jordan is a partner of partnership Delta. Jordan has an outside basis of \$10,000. Jordan receives a non-liquidating distribution of cash of \$4,000 and property with an adjusted basis to the partnership of \$8,000. Jordan's basis in the distributed property is limited to \$6,000 (\$10,000, the adjusted basis of Jordan's interest, reduced by \$4,000, the cash distributed).

### Liquidating Distribution When Section 732(b) Applies

The aggregate basis of the distributed property that you receive in a liquidating distribution must equal your pre-distribution outside basis, reduced by any money distributed. If the partnership's aggregate adjusted basis

in the distributed property (other than money) is different than your outside basis reduced by any money distributed, the aggregate adjusted basis of the distributed property is either increased or decreased so that it equals your pre-distribution outside basis. The increased or decreased aggregate basis must be allocated among the distributed properties. See section 732(c) for more information.

**Example 2—allocation of partner’s basis after cash to distributed assets.** Alex is a one-fourth partner in partnership PRS and has an outside basis of \$750. PRS distributes inventory, asset X, asset Y, and \$100 of cash to Alex in liquidation of Alex’s entire partnership interest. The partnership’s basis in the inventory is \$100 and it has an FMV of \$200. The partnership’s basis in asset X is \$50, and it has an FMV of \$400. The partnership’s basis in asset Y is \$100 and it has an FMV of \$100. Neither asset X nor asset Y consists of inventory items or unrealized receivables.

The amount of basis to be allocated to the distributed properties under section 732(c) is \$650, Alex’s outside basis reduced by money distributed. The inventory is allocated its adjusted basis of \$100. The remaining basis, \$550, is first allocated to the other distributed properties in an amount equal to each property’s adjusted basis to the partnership. Asset X is allocated \$50 and asset Y is allocated \$100. The remaining basis, \$400, is allocated to other distributed properties in proportion to, and to the extent of, unrealized appreciation. Asset X is then allocated \$350, the amount of unrealized appreciation in asset X.

Finally, the remaining basis, \$50, is allocated to assets X and Y in proportion to their FMVs: \$40 to asset X ( $400/500 \times \$50$ ), and \$10 to asset Y ( $100/500 \times \$50$ ). Therefore, after the distribution, Alex has an adjusted basis of \$100 in the inventory, \$440 in asset X, and \$110 in asset Y.

**Example 2. Allocation of Partner's Basis After Cash to Distributed Assets.**

Cash and property distributed to Alex by partnership PRS	Partnership's basis	Fair market value (FMV)	Alex's basis in distributed property after application of 732(b)	Explanation
Cash	\$100	\$100	\$100	Alex's outside basis of \$750 is reduced to \$650 because of \$100 cash distributed to Alex. See section 732(b).
Inventory	\$100	\$200	\$100	The basis of distributed properties is allocated first to inventory items in an amount equal to the partnership's basis. See section 732(c)(1)(A)(i).
Asset X	\$50	\$400	\$440	After subtracting \$100 cash and allocating \$100 to inventory basis, Alex's remaining outside basis is \$550. First, asset X is allocated \$50 and asset Y is allocated \$100, the amount equal to each property's adjusted basis to the partnership. See section 732(c)(1)(B)(i). Asset X is then allocated \$350, the amount of unrealized appreciation in asset X. See section 732(c)(2)(A). The remaining outside basis of \$50 is allocated to assets X and Y, in proportion to their FMVs; \$40 to asset X ( $400/500 \times \$50$ ) and \$10 to asset Y ( $100/500 \times \$50$ ). See section 732(c)(2)(B).
Asset Y	\$100	\$100	\$110	
<b>Total property (not including cash)</b>	\$250	\$700	\$650	The total property basis must equal Alex's previous basis in the partnership reduced by the \$100 cash received. See section 732(b).

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The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual and business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their individual and business income tax return. The estimated burden for all other taxpayers who file this form is shown below.

<b>Recordkeeping</b> .....	X hr., X min.
<b>Learning about the law or the form</b> .....	XX min.
<b>Preparing and sending the form to the IRS</b> .....	XX 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.

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September 3, 2024