

§ 1.453A-0

26 CFR Ch. I (4-1-02 Edition)

amount of unreaptured section 1250 gain remaining to be taken into account, A's \$800 of ordinary section 1231 installment gain in 1999 is treated as reducing unreaptured section 1250 gain. Therefore, A has \$2200 of unreaptured section 1250 gain remaining to be taken into account.

(iii) In the year 2000, A has \$800 of section 1231 installment gain, resulting in a net section 1231 gain of \$800. A also has \$200 of non-recaptured net section 1231 losses. The \$800 gain is taxed at two rates. First, \$200 is taxed at ordinary rates under section 1231(c), recapturing the \$200 net section 1231 loss sustained in 1999. Second, the remaining \$600 of gain on A's year 2000 installment payment is

taxed at 25 percent. As in *Example 3*, the \$200 of section 1231(c) gain is treated as reducing unreaptured section 1250 gain, rather than adjusted net capital gain. Therefore, A has \$1400 of unreaptured section 1250 gain remaining to be taken into account.

(iv) The gain on A's installment payment received in 2001 is taxed at 25 percent, reducing the remaining unreaptured section 1250 gain to \$600. Of the \$800 of gain on the fourth payment, received in 2002, \$600 is taxed at 25 percent and the remaining \$200 is taxed at 20 percent. The gain on A's remaining six installment payments is taxed at 20 percent. The table is as follows:

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004-2008 | Total gain |
|---|-------|-------|-------|-------|-------|-----------|------------|
| Installment gain | 800 | 800 | 800 | 800 | 800 | 4000 | 8000 |
| Ordinary gain under section 1231(a) | 800 | ..... | ..... | ..... | ..... | ..... | 800 |
| Taxed at ordinary rates under section 1231(c) ..... | ..... | 200 | ..... | ..... | ..... | ..... | 200 |
| Taxed at 25% ..... | ..... | 600 | 800 | 600 | ..... | ..... | 2000 |
| Taxed at 20% ..... | ..... | ..... | ..... | 200 | 800 | 4000 | 5000 |
| Net section 1231 loss | 200 | ..... | ..... | ..... | ..... | ..... | ..... |
| Remaining to be taxed at 25% | 2200 | 1400 | 600 | ..... | ..... | ..... | ..... |

(e) *Effective date.* This section applies to installment payments properly taken into account after August 23, 1999.

[T.D. 8836, 64 FR 45875, Aug. 23, 1999]

§ 1.453A-0 Table of contents.

This section lists the paragraphs and subparagraphs contained in §§1.453A-1 through 1.453A-3.

§ 1.453A-1 Installment method of reporting income by dealers in personal property.

- (a) In general.
- (b) Effect of security.
- (c) Definition of dealer, sale, and sale on the installment plan.
- (d) Installment plans.
 - (1) Traditional installment plans.
 - (2) Revolving credit plans.
- (e) Installment income of dealers in personal property.
 - (1) In general.
 - (2) Gross profit and total contract price.
 - (3) Carrying charges not included in total contract price.
 - (f) Other accounting methods.
 - (g) Records.
 - (h) Effective date.

§ 1.453A-2 Treatment of revolving credit plans; taxable years beginning on or before December 31, 1986.

- (a) In general.

(b) Coordination with traditional installment plan.

- (c) Revolving credit plans.
- (d) Effective date.

§ 1.453A-3 Requirements for adoption of or change to installment method by dealers in personal property.

- (a) In general.
- (b) Time and manner of electing installment method reporting.
 - (1) Time for election.
 - (2) Adoption of installation method.
 - (3) Change to installment method.
 - (4) Deemed elections.
- (c) Consent.
- (d) Cut-off method for amounts previously accrued.
- (e) Effective date.

[T.D. 8270, 54 FR 46376, Nov. 3, 1989]

§ 1.453A-1 Installment method of reporting income by dealers on personal property.

(a) *In general.* A dealer (as defined in paragraph (c)(1) of this section) may elect to return the income from the sale of personal property on the installment method if such sale is a sale on the installment plan (as defined in paragraphs (c)(3) and (d) of this section). Under the installment method of accounting, a taxpayer may return as income from installment sales in any