



Section 751 and Hot Assets (1 CE)

July 26, 2021

11:00 AM to 11:50 AM PT

COURSE DESCRIPTION

When a partner starts the negotiation process to sell their interest they may not consider the tax treatment of Hot Assets. Hot Assets are business assets that if sold have the potential to create ordinary income. This is important to keep in mind because the partner is probably not aware these rules even exist. The three best examples of Hot Assets are Accounts Receivable, Inventory, and ordinary income depreciation recapture under Sections 1245 and 1250.

Hot Assets is not a term that was created by FASB or GAAP but under IRC Section 751 to classify certain types of assets during a partner's sale of their interest {Regs. Sec. 1.751-1(a)} or certain distributions {Regs. Sec. 1.751-1(b)}. This term was created from the concern that a partner leaving his interest in a company would receive special long-term capital gains treatment.

Congress established this rule to reduce or eliminate preferable capital gains treatment for a partner selling their interest of the partnership.

Learning Objectives:

- ✓ Distinguish the categories of Hot Assets
- ✓ Analyze the three (3) steps necessary to be calculated on every calculation regarding IRC Section 751
- ✓ Extrapolate issues lurking in the tax code that can emerge and cause tax pain to our clients
- ✓ Interpret why similar types of entities do not always result with the same tax results
- ✓ Discuss Form 8308
- ✓ Provide detail examples to demonstrate how Section 751 applies to the sale of partners' interest



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Allan J "A.J." Reynolds, EA has immense experience in various areas in taxation, which encompasses over 30 years. His practice centers on Individual, Business and Estate Tax preparation. In addition, A.J. specializes in IRS Audits, Appeals, Collections, and other Tax Representations. His clientele ranges from the average worker to fortune 500 executives. He speaks for Basics + Beyond Income Tax Seminars, Center for Agriculture Law and Taxation of Iowa State University, NTI Resort Conferences, and NATP. A.J. started his tax career with a National CPA firm in San Diego, CA after proudly serving five years in the US Navy.