

Form 4797 – Reporting the Sale of Business Property

Self-Study Course

Learning Objectives: By taking this self-study course, learners will be able to:

1. Identify which types of transactions must be reported on Form 4797 and which parts of the form are necessary to complete.
2. Recognize tax consequences when various types of business property are sold, converted, or disposed of.
3. Distinguish situations where a depreciation deduction must be recaptured.
4. Identify types of business property and Revenue Code sections that provide guidance on the sale of those types of property.

Agenda

1. When Form 4797 is Used

- Sale or exchange of property
- Involuntary conversions
- Disposition of noncapital assets
- IRC §179 property dispositions
- Recapture computation when business use drops to less than 50%

2. Common Types of Property Reported on Form 4797

- §1231 – land, buildings and equipment used in business
- §1245 – property subject to allowance for depreciation
- §1250 – intangible real property, buildings and structural components, tangible real property

3. Recapture Provisions

- §1245 property
- §1250 property

4. Reporting Transactions on Form 4797

- Part I – property held more than 1 year
- Part II – property held for 1 year or less
- Part III – depreciation recapture (§§1245 and 1250 gains)
- Part IV – recapture when business use drops below 50% (§§179 and 280F(b)(2))

5. Examples

- Form 4797, Part I – Sale with a gain
- Form 4797, Part I – Sale with a loss; and recapture from prior years
- Form 4797, Part II
- Form 4797, Part III
- Form 4797, Part IV – business use falls below 50% (§179 or §280F(b)(2))

6. Less Common Depreciation Recapture

- Like-Kind Exchanges
- Installment Sales