

# **IRC Section 754**

## **Election to Adjust Basis of Partnership Property**

### **Overview**

IRC Section 754 permits a partnership to elect to adjust the basis of partnership property. A partnership may adjust the basis of partnership property under the provisions of 734(b) when there is a distribution of property and under the provisions of 743(b) when there is a transfer of a partnership interest. If the 754 election is made, it will apply to both 734(b) adjustments and 743(b) adjustments. An election for only one type of adjustment cannot be made.

Once the election is made by a partnership, it will apply to all property distributions and transfers of partnership interests taking place in the election year and all subsequent tax years. However, a partnership which has made a 754 election may revoke the election with the approval of the district director for the internal revenue district in which the partnership return is required to be filed.

### **When to File**

The election is made by attaching a statement to the partnership's income tax return for the taxable year in which the distribution or transfer occurs. The election must be made no later than the due date, including extensions, of the partnership's return for such year. Rev. Proc. 92-85 stipulates that a 754 election is eligible for an automatic 12-month extension if required procedures are followed. The Service by letter ruling has also exercised its discretion to allow late 754 elections under Reg. 301.9100-1.

### **Where to File**

The election statement is attached to the partnership's timely-filed return, which is mailed to the designated Internal Revenue Service Center.

### **Index**

1. Code Section: 754, 734, 743
2. Topic: Partnerships
3. Return Type: 1065

### **Authorities**

IRC 754; Reg. 1.754-1; Rev. Proc. 92-85