



TaxNewsFlash

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IRS practice unit: Identifying taxpayers electing partial disposition of building

The IRS Large Business and International (LB&I) division today released a “practice unit”—part of a series of IRS examiner “job aides” and training materials intended to describe for IRS agents leading practices about tax concepts in general and specific types of transactions.

The title of the practice unit is: *Identifying a taxpayer electing a partial disposition of a building*.

The IRS practice unit focuses on identifying when taxpayers elect a partial disposition of a building or its structural components. Identifying that a taxpayer has elected to take a partial disposition of a building is the first step for IRS examiners to determine whether the taxpayer is compliant with the section 168 disposition regulations. Taxpayers may make an annual partial disposition election to recognize the disposition of a portion of a building, including its structural components, in tax years beginning on or after January 1, 2014. The election is made by reporting the gain or loss on a timely filed original tax return for the tax year in which the portion of the building is disposed. No specific form or election statement is required, and the election may be made by any taxpayer having a depreciable interest in a building or its structural components. Electing a partial disposition of a building generally results in a loss recognized on the tax return.

The practice unit also describes situations when taxpayers are required to recognize a partial disposition, including:

- A casualty event under section 165
- A disposition of a portion of an asset for which gain is not recognized in whole or in part under section 1031 or 1033

- Transfers of a portion of an asset in a “step-in-the-shoes” transaction described in section 168(i)(7)(B)
- Sales of a portion of an asset

Read text of the practice unit on the [IRS practice unit webpage](#) with a posting date of November 5, 2018.

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