IRC §453 Structured Installment Sales

The one-page brief for the seller's CPA — the code, the cites, and why it isn't a shelter. Goldstein & Co. LLC · Hans Goldstein · 213-414-2808 · goldsteinco.net/section-453-cpa-guide

What it is, in one sentence

A structured installment sale is an ordinary IRC §453 installment sale in which the buyer's deferred-payment obligation is assigned to a third-party assignment company that funds the seller's scheduled payments through one of two engines (below). No promoter holding funds, no discretionary investment of proceeds. §453 is the **default** method — the seller elects *out* under §453(d) to accelerate; there is nothing to elect *into*.

Two funding engines — identical §453 treatment

Funding	Fixed/indexed annuity from an NAIC-rated life carrier	Laddered U.S. Treasury obligations held in an irrevocable trust
Backed by	Life insurer + state guaranty association	Full faith & credit of the U.S. government
Providers	Independent Life (iStructure), Metropolitan Tower Life (MetLife), Pacific Life	Independent Life & others (Treasury-Funded Structured Sale)
§453 treatment	Installment method, Form 6252	**Identical** — installment method, Form 6252

The Treasury engine's trust is a **bare, irrevocable funding trust holding nothing but U.S. Treasuries** on a locked schedule — no discretion, no investment mandate, no interest running back to the seller. Categorically different from a Deferred Sales Trust, which invests proceeds at discretion.

The authorities — everything you'd pull yourself

IRC §453(a),(c)	Installment method is the default; gain recognized as payments are received (gross-profit-ratio). Elect out under §453(d).
IRC §453(f)(4)	Obligation must not be payable on demand or a readily tradable cash-equivalent. A locked carrier annuity schedule is neither.
Treas. Reg. §15A.453-1	Operative regulation: (b) gross-profit-ratio mechanics; (c) contingent payments; (e) the no-cash-equivalent test.
Rev. Rul. 75-457; 82-122	Substitution of obligor does not trigger §453B disposition. Authority for assigning the buyer's duty to the carrier without accelerating gain.
Installment Sales Revision Act of 1980 (PL 96-471)	Enacted the modern §453 framework — a 45-year-old statute, not a rented private ruling.
IRC §453A	Interest charge on deferred tax when face outstanding exceeds $5,000,000, plus pledge rules. Below $5M it does not apply — but model it above.
IRC §453(i); §453(g)	§1245 recapture is NOT deferrable (recognized in year of sale); §1250 varies. The most common benefit-shrinker on real estate.
IRS Pub. 537 / Form 6252	Reported line-by-line on Form 6252 every year payments arrive. Transparent on the return — the opposite of a hidden structure.

Why it isn't a shelter — the three tests you're actually applying

1. Economic substance / step-transaction. Real sale; buyer credit is genuinely swapped for rated-carrier credit. Obligor substitution is expressly blessed by Rev. Rul. 75-457. No circular flow back to the seller, no retained control, no pledge.

2. Business purpose beyond tax. The seller wants a guaranteed stream — backed by a rated insurer or the U.S. government — and not the buyer's 10–30-year default risk; the buyer wants to pay cash and walk at closing. Either engine delivers both. Deferral is a consequence of the statutory method — not an engineered entity's sole purpose.

3. Promoter / listed-transaction smell test. No promoter-controlled trust, no LLC, no discretionary trustee, no confidentiality agreement, no contingent promoter fee. Not a listed or reportable transaction; no Form 8886. Contrast a Deferred Sales Trust, which rests on a promoter-drafted trust that invests proceeds at discretion and has drawn repeated IRS scrutiny. Both §453 engines are IRS-blessed; a DST is the thing pretending to be §453.

For your file: A structured installment sale is an IRC §453 installment sale — the Code's default method since 1980 — in which the buyer's deferred obligation is assigned under the substitution-of-obligor authority of Rev. Rul. 75-457 and funded by either a rated life-carrier annuity or a U.S. Treasury-backed irrevocable trust, reported annually on Form 6252.

Reliance memo

The provider behind whichever engine is in play will furnish a **reliance / tax-treatment memo** on letterhead — describing the assignment mechanics and §453 treatment of that product — for the seller's CPA to rely on and retain: an annuity-carrier memo (Independent Life, Metropolitan Tower Life / MetLife) for Engine 1, or a Treasury-funded-trust memo for Engine 2. Ask before the client signs the purchase-and-sale agreement. That memo + this brief + Form 6252 is your documentation file.

Documented case studies (Dan Finn's published illustrations — not Goldstein & Co. deals)

Jud & Amy (Dan Finn, *The CPA Journal*, Dec. 2021): $500,000 sale; ~$131,500 capital-gains tax if taken as a lump sum; structured $70,000/yr for 8 years ($560,000 total). Annual recognition effectively eliminated the lump-sum capital-gains tax, plus interest earned inside the structure.

Sandy & Andie (Dan Finn, *Realty Times*): residence bought 1993 for $600,000, no mortgage; ~$1,100,000 gain above the §121 exclusion. The full $1,700,000 funds a structured annuity paying $120,000/yr for 20 years; the couple earns ~$700,000 pre-tax interest on top of spreading the gain.

What I need to model the client's actual deal

Sale price and basis (plus prior depreciation if real estate) · state of residence at sale · target close date (30+ days) · whether deferred face exceeds $5M (§453A) · any related-party buyer (§453(e)). Send these and I'll run lump-sum vs. §453 side-by-side against the real terms.

Hans Goldstein · Goldstein & Co. LLC · 213-414-2808 · goldsteinco.net · Carriers: Independent Life · Metropolitan Tower Life (MetLife) · Pacific Life