''(3) Except as provided in paragraph (4), the amendments made by subsections (b) and (c) [amending this section and sections 722 and 723 of this title] shall apply to transfers made after February 17, 1976, in taxable years ending after such date.

''(4) The amendments made by subsections (b) and (c) shall not apply to transfers to a partnership made on or before the 90th day after the date of the enactment of this Act [Oct. 4, 1976] if—

''(A) either—

''(i) a ruling request with respect to such transfers was filed with the Internal Revenue Service before March 27, 1976, or

''(ii) a registration statement with respect to such transfers was filed with the Securities and Exchange Commission before March 27, 1976,

''(B) the securities transferred were deposited on or before the 60th day after the date of the enactment of this Act [Oct. 4, 1976], and

''(C) either—

''(i) the aggregate value (determined as of the close of the 60th day referred to in subparagraph (B), or, if earlier, the close of the deposit period) of the securities so transferred does not exceed $100,000,000, or

''(ii) the securities transferred were all on deposit on February 29, 1976, pursuant to a registration statement referred to in subparagraph (A)(ii).

''(5) If no registration statement was required to be filed with the Securities and Exchange Commission with respect to the transfer of securities to any partnership, then paragraph (4) shall be applied to such transfers—

''(A) as if paragraph (4) did not contain subparagraph (A)(ii) thereof, and

''(B) by substituting '$25,000,000' for '$100,000,000' in subparagraph (C)(i) thereof.''

§ 722. Basis of contributing partner's interest

The basis of an interest in a partnership acquired by a contribution of property, including money, to the partnership shall be the amount of such money and the adjusted basis of such property to the contributing partner at the time of the contribution increased by the amount (if any) of gain recognized under section 721(b) to the contributing partner at such time.

(Aug. 16, 1954, ch. 736, 68A Stat. 245; Pub. L. 94–455, title XXI, § 2131(c), Oct. 4, 1976, 90 Stat. 1924; Pub. L. 98–369, div. A, title VII, § 722(f)(1), July 18, 1984, 98 Stat. 974.)

AMENDMENTS

1984—Pub. L. 98–369 inserted ''under section 721(b)'' after ''gain recognized''.

1976—Pub. L. 94–455 inserted ''increased by the amount (if any) of gain recognized to the contributing partner at such time'' after ''at the time of the contribution''.

EFFECTIVE DATE OF 1984 AMENDMENT

Section 722(f)(2) of Pub. L. 98–369 provided that: ''The amendments made by paragraph (1) [amending this section and section 723 of this title] shall take effect as if included in the amendments made by section 2131 of the Tax Reform Act of 1976 [Pub. L. 94–455].''

EFFECTIVE DATE OF 1976 AMENDMENT

For effective date of amendment made by Pub. L. 94–455, see section 2131(f)(3)–(5) of Pub. L. 94–455, set out as a note under section 721 of this title.

§ 723. Basis of property contributed to partnership

The basis of property contributed to a partnership by a partner shall be the adjusted basis of such property to the contributing partner at the time of the contribution increased by the amount (if any) of gain recognized under section 721(b) to the contributing partner at such time.

(Aug. 16, 1954, ch. 736, 68A Stat. 245; Pub. L. 94–455, title XXI, § 2131(c), Oct. 4, 1976, 90 Stat. 1924; Pub. L. 98–369, div. A, title VII, § 722(f)(1), July 18, 1984, 98 Stat. 974.)

AMENDMENTS

1984—Pub. L. 98–369 inserted ''under section 721(b)'' after ''gain recognized''.

1976—Pub. L. 94–455 inserted ''increased by the amount (if any) of gain recognized to the contributing partner at such time'' after ''at the time of the contribution''.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98–369 effective as if included in amendments made by section 2131 of the Tax Reform Act of 1976, Pub. L. 94–455, see section 722(f)(2) of Pub. L. 98–369, set out as a note under section 722 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

For effective date of amendment made by Pub. L. 94–455, see section 2131(f)(3)–(5) of Pub. L. 94–455, set out as a note under section 721 of this title.

§ 724. Character of gain or loss on contributed unrealized receivables, inventory items, and capital loss property

(a) Contributions of unrealized receivables

In the case of any property which—

(1) was contributed to the partnership by a partner, and

(2) was an unrealized receivable in the hands of such partner immediately before such contribution,

any gain or loss recognized by the partnership on the disposition of such property shall be treated as ordinary income or ordinary loss, as the case may be.

(b) Contributions of inventory items

In the case of any property which—

(1) was contributed to the partnership by a partner, and

(2) was an inventory item in the hands of such partner immediately before such contribution,

any gain or loss recognized by the partnership on the disposition of such property during the 5-year period beginning on the date of such contribution shall be treated as ordinary income or ordinary loss, as the case may be.

(c) Contributions of capital loss property

In the case of any property which—

(1) was contributed by a partner to the partnership, and

(2) was a capital asset in the hands of such partner immediately before such contribution,

any loss recognized by the partnership on the disposition of such property during the 5-year period beginning on the date of such contribution shall be treated as a loss from the sale of a capital asset to the extent that, immediately before such contribution, the adjusted basis of such property in the hands of the partner exceeded the fair market value of such property.