

## COST BASIS & HOLDING PERIODS

Type of Transaction	Cost Basis	Amount Includable as Income
Property Contributed to Partnership	Original cost + recognized gain	No gain or loss recognized
Property Contributed to Corporation	Original cost + recognized gain – recognized loss	No gain or loss recognized If services are rendered, then stock received for these services is considered compensation
Collectibles	Purchase price	Capital gain or loss unless taxpayer is a dealer of coins, stamps or stones (then ordinary)
Property for Services	FMV	FMV or agreed-upon value
Bargain Purchase	FMV	FMV – purchase price
Restricted Property	FMV upon vesting	FMV – price paid when vested
Easement	FMV – amount received	Amount received for easement
Related Parties	FMV relinquished + cash paid	Gain must be recognized if either party disposes of asset before 2 years (except death or involuntary conversion) Gain is ordinary income if sale of depreciable property is involved Losses are not recognized
Taxable Exchanges	FMV	FMV – basis of property relinquished
Nontaxable Exchanges	Basis of old property + boot paid	No gain or loss recognized at time of exchange
Partially Nontaxable Exchange	Basis of old property – moneys received – loss recognized + moneys spent + gain recognized	Recognized gain = FMV of the new property + cash spent – basis of old property Loss is never deductible if you receive unlike property or cash
Personal Converted to Business Use	If later sold at a gain, use purchase price + acquisition costs If later sold at a loss, use lesser of FMV on date of conversion or adjusted basis	No gain or loss recognized
Involuntary Conversions	Basis of old property – recognized loss – moneys received + recognized gain + moneys spent	Recognized gain = proceeds received – money's spent to replace property
Timber	Adjusted basis for depletion (IRC §611)	Capital gain or loss is recognized if the timber is held for investment If held for resale, gain or loss is ordinary
Insurances & Annuities	N/A	No gain or loss recognized if §1035 exchange done (life policy or annuity for another annuity) If cash is received, gain must be recognized
Cancelled Debt	N/A	Amount of debt forgiven

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