**Involuntary Conversion**

The City of Charlotte has announced that light rail transit will be provided from uptown to the main UNC Charlotte campus. You paid $200,000 for some land a few years ago. It is now worth $550,000. There is no debt on the property. You have been renting your land to the county as a parking lot. Your ultimate goal has been to build apartments on the land.

Your land is near a location chosen for one of the train stations. The City of Charlotte has condemned your land and will pay you $550,000 for the land on December 15, 2015. You intend to purchase other land near the route of the train track, to be used for an apartment complex you plan to build.
You expect to pay $510,000 for the new land, and complete the purchase on March 3, 2016.

**1a. What is the amount of gain or loss that you will realize? Amount: $350,000**

**The gain is the excess of amount realized of $550,000 over the basis of the property which is $200,000.**

**Note: Amount realized is not $350,000. Amount realized is $550,000. Gain realized is $350,000.**

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| **Supporting Computations:** |



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| **Citation to Internal Revenue Code or Regulations: Section 1001(a)** |

**1b. What is the amount of gain or loss that you will recognize? Amount: $40,000**

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| **At the election of the taxpayer, the gain shall be recognized only to the extent that the amount realized upon the conversion exceeds the cost of the new property. Sec. 1033(a)(2)(A)****Grading Note: This is not a deferred like-kind exchange.** |

**Supporting Computations:**

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| **Citation to Internal Revenue Code or Regulations: Sec. 1033(a)(2)(A)** |

**1c. What will be the amount of your basis in the new land? Amount: $200,000**

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| **The basis of the property purchased shall be the cost of that property reduced by the amount of the not recognized on the conversion. Sec. 1033(b)(2)** |

**Supporting Computations:**

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