Department of the Treasury

Internal Revenue Service

Your Federal Income Tax

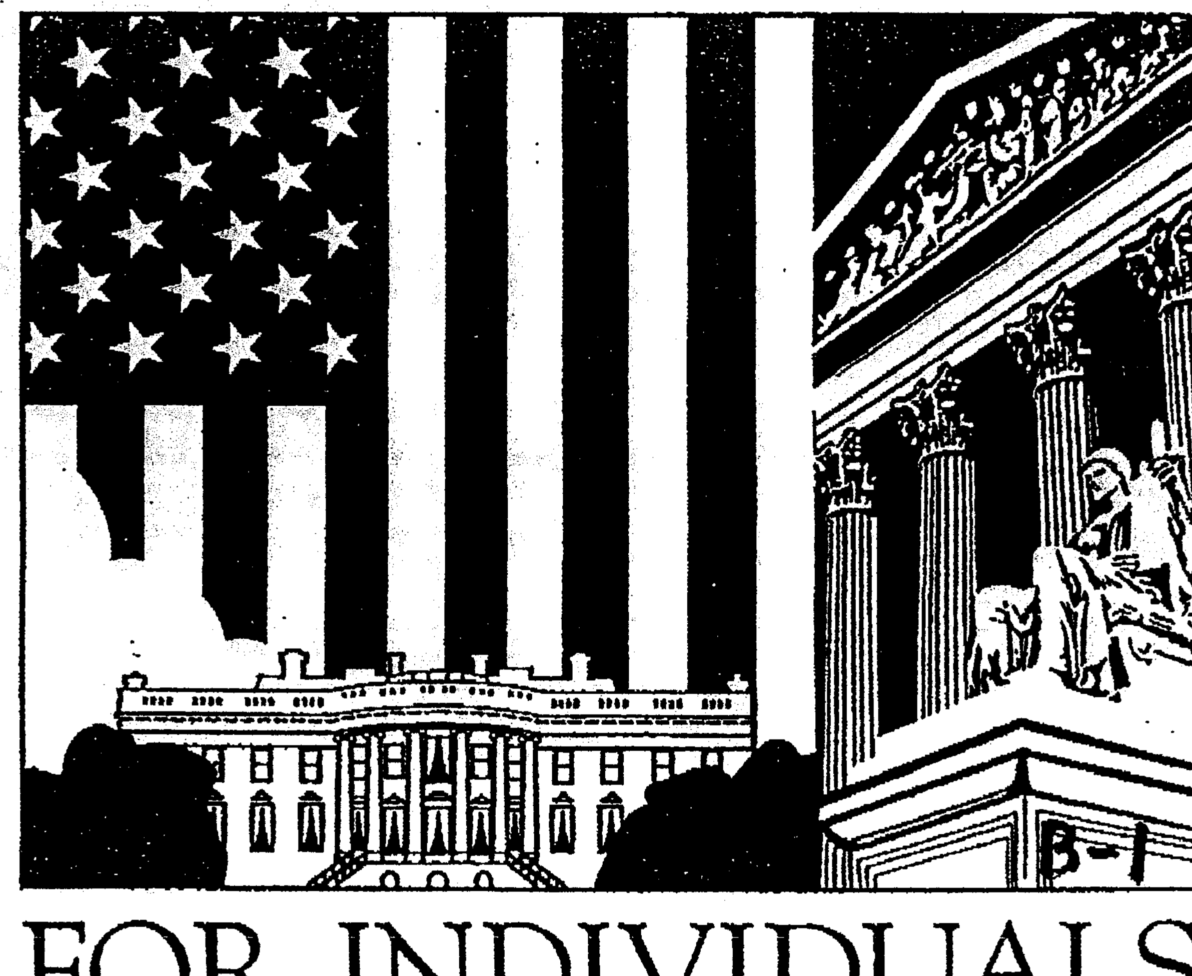
For Individuals

Publication 17

Cat. No. 10311G

For use in preparing 1993 Returns

1993 TAX GUIDE



FOR INDIVIDUALS

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Federal Estate and Gift Taxes
Taxable and Nontaxable Income
Installment Sales
Investment Income and
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Basis of Assets

☐ 564 Mutual Fund

☐ 917 Business Us

See 26 CFR 1.83-3(g)

Cost Basis

The basis of property you buy is usually its cost. The cost is the amount of cash and debt obligations you pay for it and the fair market value of other property or services you provide in the transaction. Your cost also includes amounts you pay for:

1) Sales tax charged on the purchase,
2) Freight charges to obtain the property,
3) Installation and testing charges,
4) Excise taxes,
5) Legal and accounting fees (when required to be capitalized),
6) Revenue stamps,
7) Recording fees, and
8) Real estate taxes (if assumed for the seller).

In addition, the cost basis of real estate and business assets will include other items.

Loans with low or no interest. If you buy property on any time-payment plan that charges little or no interest, the basis of your property is your stated purchase price, less the amount considered to be unstated interest. You generally have unstated interest if your interest rate is less than the applicable federal rate.

For more information, see *Unstated Interest* in Publication 537.

Real Property

If you buy real property, certain fees and other expenses you pay are part of your basis in the property. Real property is land and generally anything erected on, growing on, or attached to land. For example, a building is considered real property.

Assumption of a mortgage. If you buy property and assume an existing mortgage on the property, your basis includes the amount you pay for the property in cash plus the unpaid mortgage you assume.

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services,

4) Transfer taxes,
5) Title insurance, and
6) Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

You must reasonably allocate these fees or costs between land and improvements, such as a building, to figure the basis for depreciation of the improvements. Settlement fees do not include amounts placed in escrow for the future payment of items such as taxes and insurance.

Expenses paid to obtain a mortgage. Most deductible expenses may be deducted in full in the tax year in which you pay them. If you pay a deductible expense to obtain a mortgage, however, you generally must capitalize and deduct the expense ratably over the term of the mortgage. Do not add the expense, such as points (such as prepaid interest), to the basis of the related property.

Points on home mortgage. Special rules may apply to an amount you pay as points to obtain a mortgage for your main home. If that amount meets certain requirements, you can deduct it in full as points for the year in which you pay it. For more information, see *Points* in Publication 936, *Home Mortgage Interest Deduction.*

Nondeductible expenses. Any nondeductible expenses you pay to purchase real property, such as an appraisal fee for your home or other nonbusiness, you generally add to the basis of the property. Other expenses, such as fire insurance premiums, cannot be added to the basis of the property.

Real estate taxes. If you buy real property and agree to pay taxes the seller owed on it, treat the taxes you pay as part of the cost. You cannot deduct them as taxes paid.

If you reimburse the seller for taxes the seller paid for you, you can usually deduct

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Your Federal Income Tax

For Individuals

Department
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**Internal
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Part Four.

Gains and Losses

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14. Basis of Property

Introduction

This chapter discusses how to figure your basis in property and covers the following topics:

- Cost basis of property you purchase.
- Adjustments to basis after you acquire property.
- Property you acquire because of a casualty or condemnation.
- Property you receive in exchange for your services.
- Business or investment property you acquire in an exchange or trade-in.
- Property you receive as a gift.
- Property transferred to you because of a divorce.
- Property you inherit.
- Stocks, bonds, and mutual funds in which you invest.

Basis is a way of measuring your investment in property for tax purposes. Use the basis of property to figure the deductions for depreciation, amortization, depletion, and casualty losses. Also use it to figure gain or loss on the sale or other disposition of property. You must keep accurate records of all items that affect the basis of property so you can make these computations.

Useful Items

You may want to see:

Publication

- ❏ **448** Federal Estate and Gift Taxes
- ❏ **525** Taxable and Nontaxable Income
- ❏ **537** Installment Sales
- ❏ **550** Investment Income and Expenses
- ❏ **551** Basis of Assets
- ❏ **564** Mutual Fund Distributions
- ❏ **917** Business Use of a Car

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Assumption of a mortgage. If you buy property and assume an existing mortgage on the property, your basis includes the amount you pay for the property plus the unpaid mortgage you assume.

Settlement fees and other costs. Legal and recording fees are some of the settlement fees or closing costs that are included in the basis of property. Some others are:

1) Abstract fees,
2) Charges for installing utility services,
3) Surveys,
4) Transfer taxes,
5) Title insurance, and
6) Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

You must reasonably allocate these fees or costs between land and improvements, such as a building, to figure the basis for depreciation of the improvements. Settlement fees do not include amounts placed in escrow for the future payment of items such as taxes and insurance.

Expenses paid to obtain a mortgage. If you pay a deductible expense to obtain a mortgage, you generally must capitalize and deduct the expense ratably over the term of the mortgage. Do not add the expense, such as points (prepaid interest), to the basis of the related property.

Points on home mortgage. Special rules may apply to amounts you and the seller pay as points when you obtain a mortgage to purchase your main home. If these amounts meet certain requirements, you can deduct them in full as points for the year in which they are paid. If you deduct seller-paid points, reduce your purchase price by that amount when determining your basis. For more information, see *Points* in Publication 936, *Home Mortgage Interest Deduction.*

Nondeductible expenses. Any nondeductible expenses you pay to purchase real property, such as an appraisal fee for your home or other nonbusiness property, you generally add to the basis of the property. Other expenses, such as fire insurance premiums, cannot be added to the basis of the property.

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**Internal
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Part Three.

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- Property you receive as a gift.
- Property transferred to you because of a divorce.
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Basis is a way of measuring your investment in property for tax purposes. Use the basis of property to figure the deductions for depreciation, amortization, depletion, and casualty losses. Also use it to figure gain or loss on the sale or other disposition of property. You must keep accurate records of all items that affect the basis of property so you can make these computations.

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Assumption of a mortgage. If you buy property and assume an existing mortgage on the property, your basis includes the amount you pay for the property plus the unpaid mortgage you assume.

Settlement costs. You can include in the basis of property you purchase the settlement fees and closing costs that are for buying it. You cannot include the fees and costs that are for getting a loan on the property. (A fee is for buying property if you would have had to pay it even if you bought the property for cash.)

Some of the settlement fees or closing costs that you can include in the basis of your property are:

1) Abstract fees (sometimes called abstract of title fees),
2) Charges for installing utility services,
3) Legal fees (including title search and preparing the sales contract and deed),
4) Recording fees,
5) Surveys,
6) Transfer taxes,
7) Owner's title insurance, and
8) Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

You must reasonably allocate these fees or costs between land and improvements, such as buildings, to figure the basis for depreciation of the improvements. Allocate the fees according to the fair market values of the land and improvements at the time of purchase.

Settlement costs ***do not include*** amounts placed in escrow for the future payment of items such as taxes and insurance.

Some settlement fees and closing costs you ***cannot*** include in the basis of the property are:

1) Fire insurance premiums.
2) Rent for occupancy of the property before closing.
3) Charges for utilities or other services relating to occupancy of the property before closing.
4) Charges connected with getting a loan, such as:
   a) Points (discount points, loan origination fees),
   b) Mortgage insurance premiums,
   c) Loan assumption fees,
   d) Cost of a credit report, and
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5) Fees for refinancing a mortgage.

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See *Where To Go for Help.*

Part Three.

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- Recording fees,
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Loans with low or no interest. If you buy property on any time-payment plan that charges little or no interest, the basis of your property is your stated purchase price minus the amount considered to be unstated interest. You generally have unstated interest if your interest rate is less than the federal rate that applies.

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Assumption of a mortgage. If you buy property and assume (or buy subject to) an existing mortgage on the property, your basis includes the amount you pay for the property plus the unpaid mortgage.

Settlement costs. You can include in the basis of property you buy the settlement fees and closing costs that you pay in buying it. You cannot include the fees and costs that are for getting a loan on the property. (A fee is for buying property if you would have had to pay it even if you bought the property for cash.)

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- Surveys,
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- Owner's title insurance, and
- Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

You must reasonably allocate these fees or costs between land and improvements, such as buildings, to figure the basis for depreciation of the improvements. Allocate the fees according to the fair market values of the land and improvements at the time of purchase. ***Fair market value (FMV)*** is the price at which the property would change hands between a buyer and a seller, neither having to buy or sell, and both having reasonable knowledge of all necessary facts. Sales of similar property on or about the same date may be helpful in figuring the FMV of the property.

Settlement costs ***do not include*** amounts placed in escrow for the future payment of items such as taxes and insurance.

Some settlement fees and closing costs you ***cannot*** include in the basis of the property are:

1) Fire insurance premiums,
2) Rent for occupancy of the property before closing,
3) Charges for utilities or other services relating to occupancy of the property before closing,
4) Fees for refinancing a mortgage, and
5) Charges connected with getting a loan, such as:
    a) Points (discount points, loan origination fees),
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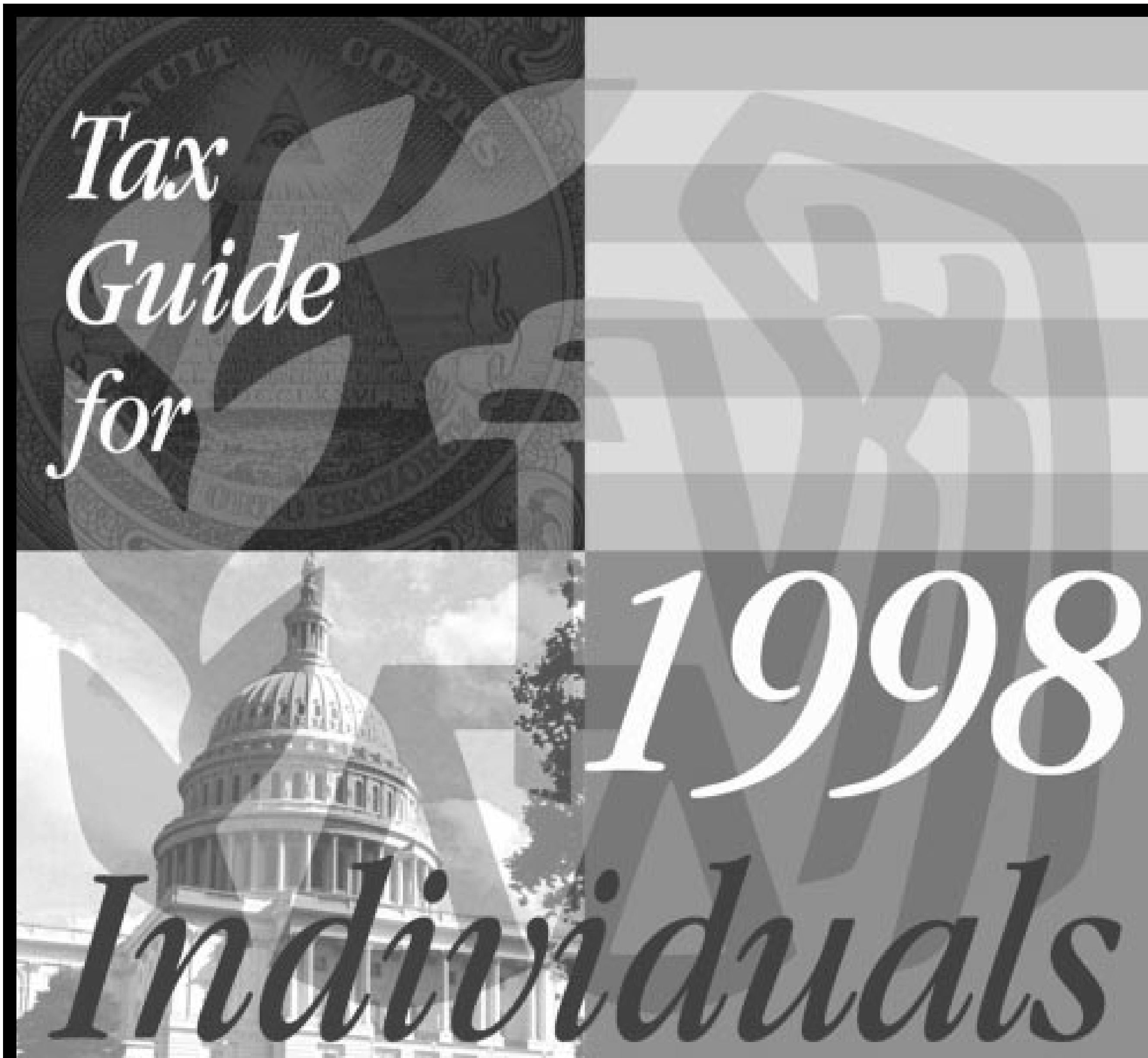

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• IRIS at **FedWorld** ➤ **(703) 321-8020** or by **FAX** from your FAX machine, dial ➤ **(703) 368-9694.**
See *How to Get More Information*

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- Property you receive because of a casualty or condemnation (involuntary conversion).
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- Property you receive as a gift.
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- Property changed to business or personal use.
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The following costs are some of the settlement fees or closing costs that you can include in the basis of your property.

- Abstract fees (abstract of title fees).
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1) Fire insurance premiums.
2) Rent for occupancy of the property before closing.
3) Charges for utilities or other services related to occupancy of the property before closing.
4) Fees for refinancing a mortgage.
5) Charges connected with getting a loan. The following items are examples of these charges.
   a) Points (discount points, loan origination fees).
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   c) Loan assumption fees.
   d) Cost of a credit report.

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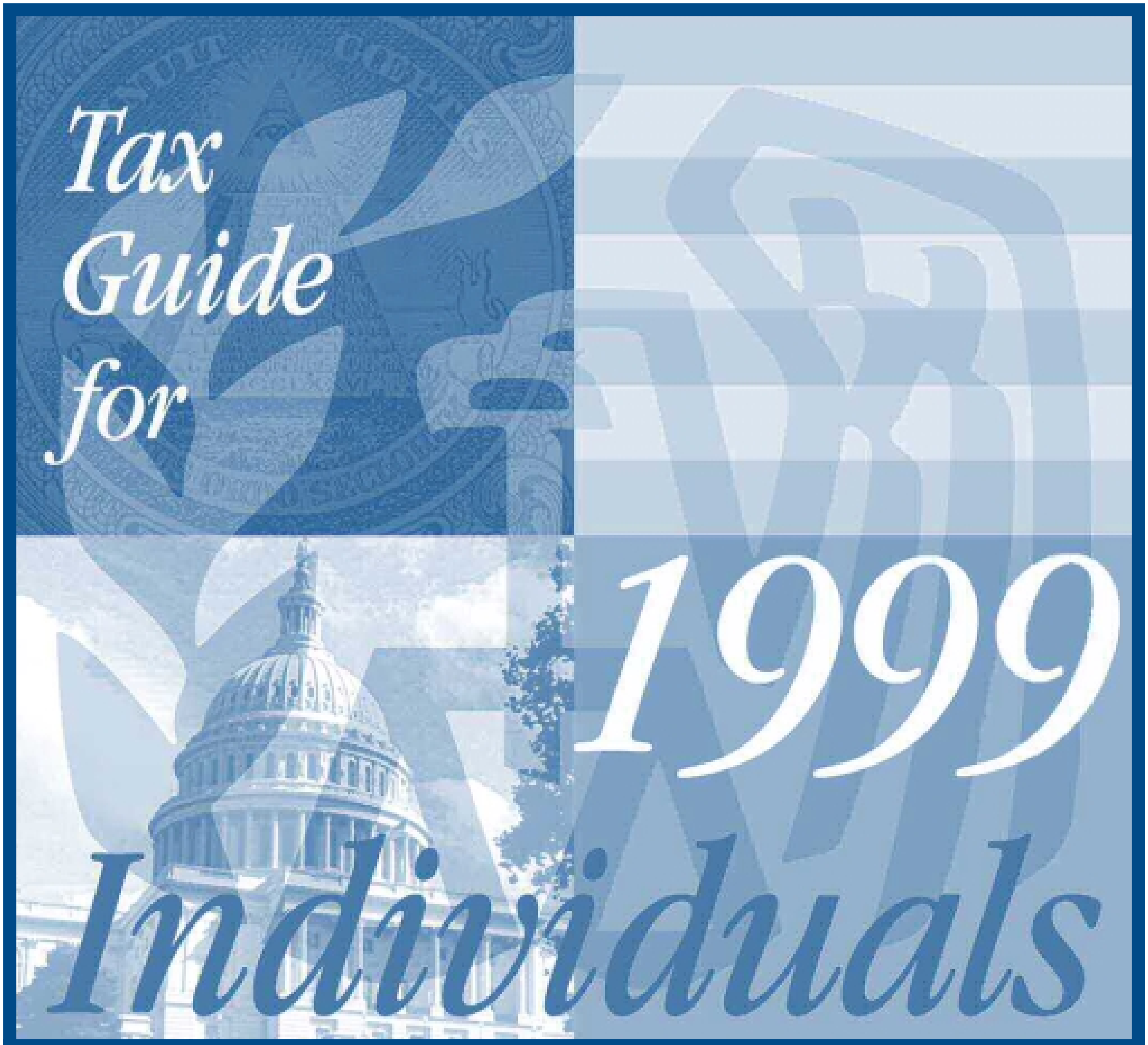

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Part Three.

Gains and Losses

The four chapters in this part discuss investment gains and losses, including how to figure your basis in property. A gain from selling or trading stocks, bonds, or other investment property may be taxed or it may be tax free, at least in part. A loss may or may not be deductible. These chapters also discuss gains from selling property you personally use — including the special rules for selling your home. Nonbusiness casualty and theft losses are discussed in chapter 27 in Part Five.

14. Basis of Property

Introduction

This chapter discusses how to figure your basis in property and covers the following topics.

- Cost basis of property you buy.
- Adjustments to basis after you receive property.
- Basis other than cost.

Basis is the amount of your investment in property for tax purposes. Use the basis of property to figure the amount of gain or loss on the sale, exchange, or other disposition of property. Also use it to figure the deduction for depreciation, amortization, depletion, and casualty losses. You must keep accurate records of all items that affect the basis of property so you can make these computations.

If you use property for both business and personal purposes, you must allocate the basis based on the use. Only the basis allocated to the business use of the property can be depreciated.

Your original basis in property is adjusted (increased or decreased) by certain events. If you make improvements to the property, increase your basis. If you take deductions for depreciation or casualty losses, reduce your basis.

Generally, the higher your basis for an asset, the less gain you will have to report on its sale. The higher your basis in a depreciable asset, the higher your depreciation deductions.

Useful Items

You may want to see:

Publication

- ☐ **525** Taxable and Nontaxable Income
- ☐ **535** Business Expenses
- ☐ **537** Installment Sales
- ☐ **544** Sales and Other Dispositions of Assets
- ☐ **550** Investment Income and Expenses
- ☐ **551** Basis of Assets
- ☐ **564** Mutual Fund Distributions

Cost Basis

The basis of property you buy is usually its cost. The cost is the amount you pay in cash, debt obligations, or other property. Your cost also includes, for example, amounts you pay for the following items.

- Sales tax charged on the purchase.
- Freight charges to obtain the property.
- Installation and testing charges.
- Excise taxes.
- Legal and accounting fees (when they must be capitalized).
- Revenue stamps.
- Recording fees.
- Real estate taxes (if assumed for the seller).

In addition, the cost basis of real estate and business assets may include other items.

Loans with low or no interest. If you buy property on any time-payment plan that charges little or no interest, the basis of your property is your stated purchase price minus any amount considered to be unstated interest. You generally have unstated interest if your interest rate is less than the applicable federal rate.

For more information, see *Unstated Interest and Original Issue Discount* in Publication 537.

Real Property

Real property, also called real estate, is land and generally anything built on, growing on, or attached to land.

If you buy real property, certain fees and other expenses you pay are part of your cost basis in the property.

You must allocate your cost basis between land and improvements, such as buildings, to figure the basis for depreciation of the improvements. Allocate the costs according to the fair market values of the land and improvements at the time of purchase. ***Fair market value (FMV)*** is the price at which the property would change hands between a buyer and a seller, neither having to buy or sell, and both having a reasonable knowledge of all necessary facts. Sales of similar property on or about the same date may be helpful in figuring the FMV of the property.

Assumption of mortgage. If you buy property and assume (or buy subject to) an existing mortgage on the property, your basis includes the amount you pay for the property plus the amount to be paid on the mortgage.

Settlement costs. You can include in the basis of property you buy the settlement fees and closing costs you pay for buying the property. You cannot include fees and costs for getting a loan on the property. (A fee for buying property is a cost that must be paid even if you buy the property for cash.)

The following are some of the settlement fees or closing costs you can include in the basis of your property.

- Abstract fees (abstract of title fees).
- Charges for installing utility services.
- Legal fees (including title search and preparation of the sales contract and deed).
- Recording fees.
- Surveys.
- Transfer taxes.
- Title insurance.
- Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

Settlement costs ***do not include*** amounts placed in escrow for the future payment of items such as taxes and insurance.

The following are some of the settlement fees and closing costs that you ***cannot*** include in the basis of property.

1) Fire insurance premiums.
2) Rent for occupancy of the property before closing.
3) Charges for utilities or other services related to occupancy of the property before closing.
4) Fees for refinancing a mortgage.
5) Charges connected with getting a loan. The following are examples of these charges.
    a) Points (discount points, loan origination fees).
    b) Mortgage insurance premiums.
    c) Loan assumption fees.
    d) Cost of a credit report.

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**Internal
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Your Federal Income Tax

For Individuals

Publication 17
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If you use property for both business and personal purposes, you must allocate the basis based on the use. Only the basis allocated to the business use of the property can be depreciated.

Your original basis in property is adjusted (increased or decreased) by certain events. If you make improvements to the property, increase your basis. If you take deductions for depreciation or casualty losses, reduce your basis.

Generally, the higher your basis for an asset, the less gain you will have to report on its sale. The higher your basis in a depreciable asset, the higher your depreciation deductions.

Useful Items

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Publication

- ☐ **15–B** Employer's Tax Guide to Fringe Benefits
- ☐ **523** Selling Your Home
- ☐ **525** Taxable and Nontaxable Income
- ☐ **535** Business Expenses
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- ☐ **550** Investment Income and Expenses
- ☐ **551** Basis of Assets
- ☐ **564** Mutual Fund Distributions
- ☐ **946** How To Depreciate Property

Cost Basis

The basis of property you buy is usually its cost. The cost is the amount you pay in cash, debt obligations, or other property. Your cost also includes amounts you pay for the following items.

- Sales tax charged on the purchase.
- Freight charges to obtain the property.
- Installation and testing charges.
- Excise taxes.
- Legal and accounting fees (when they must be capitalized).
- Revenue stamps.
- Recording fees.
- Real estate taxes (if assumed for the seller).

In addition, the basis of real estate and business assets may include other items.

Loans with low or no interest. If you buy property on any time-payment plan that charges little or no interest, the basis of your property is your stated purchase price minus any amount considered to be unstated interest. You generally have unstated interest if your interest rate is less than the applicable federal rate.

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If you buy real property, certain fees and other expenses you pay are part of your cost basis in the property.

If you buy improvements, such as buildings, and the land on which they stand for a lump sum, allocate your cost basis between the land and improvements to figure the basis for depreciation of the improvements. Allocate the costs according to the fair market values of the land and improvements at the time of purchase.

Fair market value (FMV) is the price at which the property would change hands between a buyer and a seller, neither having to buy or sell, and both having a reasonable knowledge of all necessary facts. Sales of similar property on or about the same date may be helpful in figuring the FMV of the property.

Assumption of mortgage. If you buy property and assume (or buy subject to) an existing mortgage on the property, your basis includes the amount you pay for the property plus the amount to be paid on the mortgage.

Settlement costs. You can include in the basis of property you buy the settlement fees and closing costs you pay for buying the property. (A fee for buying property is a cost that must be paid even if you buy the property for cash.) You cannot include fees and costs for getting a loan on the property.

The following are some of the settlement fees or closing costs you can include in the basis of your property.

- Abstract fees (abstract of title fees).
- Charges for installing utility services.
- Legal fees (including title search and preparation of the sales contract and deed).
- Recording fees.
- Surveys.
- Transfer taxes.
- Owner's title insurance.
- Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

Settlement costs ***do not include*** amounts placed in escrow for the future payment of items such as taxes and insurance.

The following are some of the settlement fees and closing costs you ***cannot*** include in the basis of property.

1) Fire insurance premiums.
2) Rent for occupancy of the property before closing.
3) Charges for utilities or other services related to occupancy of the property before closing.
4) Fees for refinancing a mortgage.
5) Charges connected with getting a loan. The following are examples of these charges.

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Internal Revenue Service

Your Federal Income Tax

For Individuals

Publication 17

Catalog Number 10311G

For use in preparing **2001** Returns

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Useful Items

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Publication

- ❏ **15–B** Employer's Tax Guide to Fringe Benefits
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- ❏ **525** Taxable and Nontaxable Income
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- ❏ **564** Mutual Fund Distributions
- ❏ **946** How To Depreciate Property

Cost Basis

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If you buy buildings and the land on which they stand for a lump sum, allocate the basis among the land and the buildings so you can figure the allowable depreciation on the buildings. Land is not depreciable. Allocate the cost according to the fair market values of the land and buildings at the time of purchase.

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- Recording fees.
- Surveys.
- Transfer taxes.
- Owner's title insurance.
- Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

Settlement costs ***do not include*** amounts placed in escrow for the future payment of items such as taxes and insurance.

The following are some of the settlement fees and closing costs you ***cannot*** include in the basis of property.

1) Casualty insurance premiums.
2) Rent for occupancy of the property before closing.
3) Charges for utilities or other services related to occupancy of the property before closing.
4) Fees for refinancing a mortgage.
5) Charges connected with getting a loan. The following are examples of these charges.

Department
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**Internal
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Service**

Your Federal Income Tax

For Individuals

Publication 17

Catalog Number 10311G

For use in
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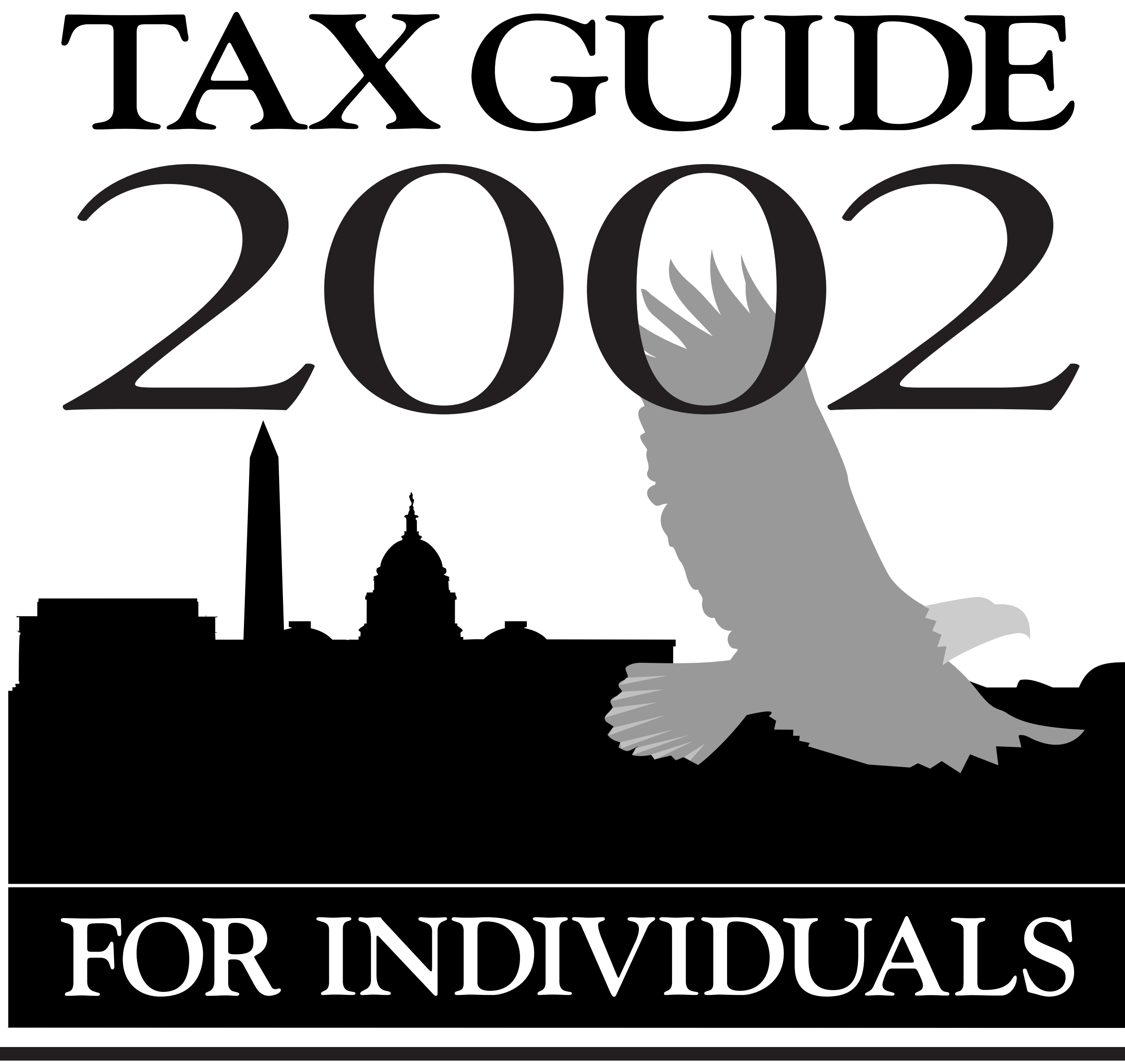
2002
Returns



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Part Three.

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Publication

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- ❏ **946** How To Depreciate Property

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- Sales tax.
- Freight.
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- Excise taxes.
- Legal and accounting fees (when they must be capitalized).
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Fair market value (FMV) is the price at which the property would change hands between a willing buyer and a willing seller, neither having to buy or sell, who both have reasonable knowledge of all the necessary facts. Sales of similar property on or about the same date may be helpful in figuring the FMV of the property.

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- Surveys.
- Transfer taxes.
- Owner's title insurance.
- Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

Settlement costs ***do not include*** amounts placed in escrow for the future payment of items such as taxes and insurance.

The following are some of the settlement fees and closing costs you ***cannot*** include in the basis of property.

1) Fire insurance premiums.
2) Rent for occupancy of the property before closing.
3) Charges for utilities or other services related to occupancy of the property before closing.
4) Charges connected with getting a loan. The following are examples of these charges.

Department of the Treasury

Internal Revenue Service

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For Individuals

Publication 17

Catalog Number 10311G

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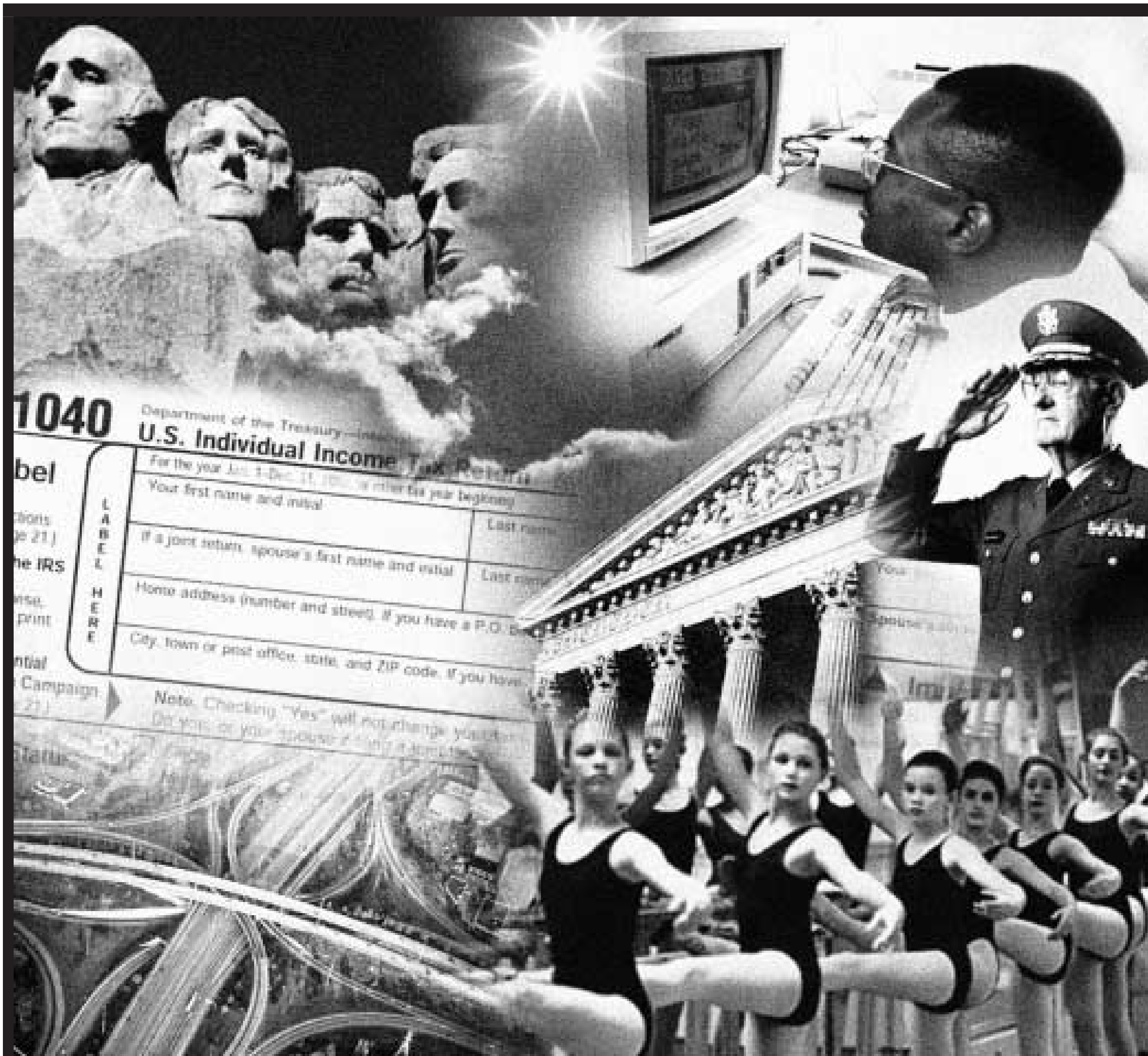
2003

Returns



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- Revenue stamps.
- Recording fees.
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3) Charges for utilities or other services related to occupancy of the property before closing.
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Department of the Treasury

Internal Revenue Service

Your Federal Income Tax

For Individuals

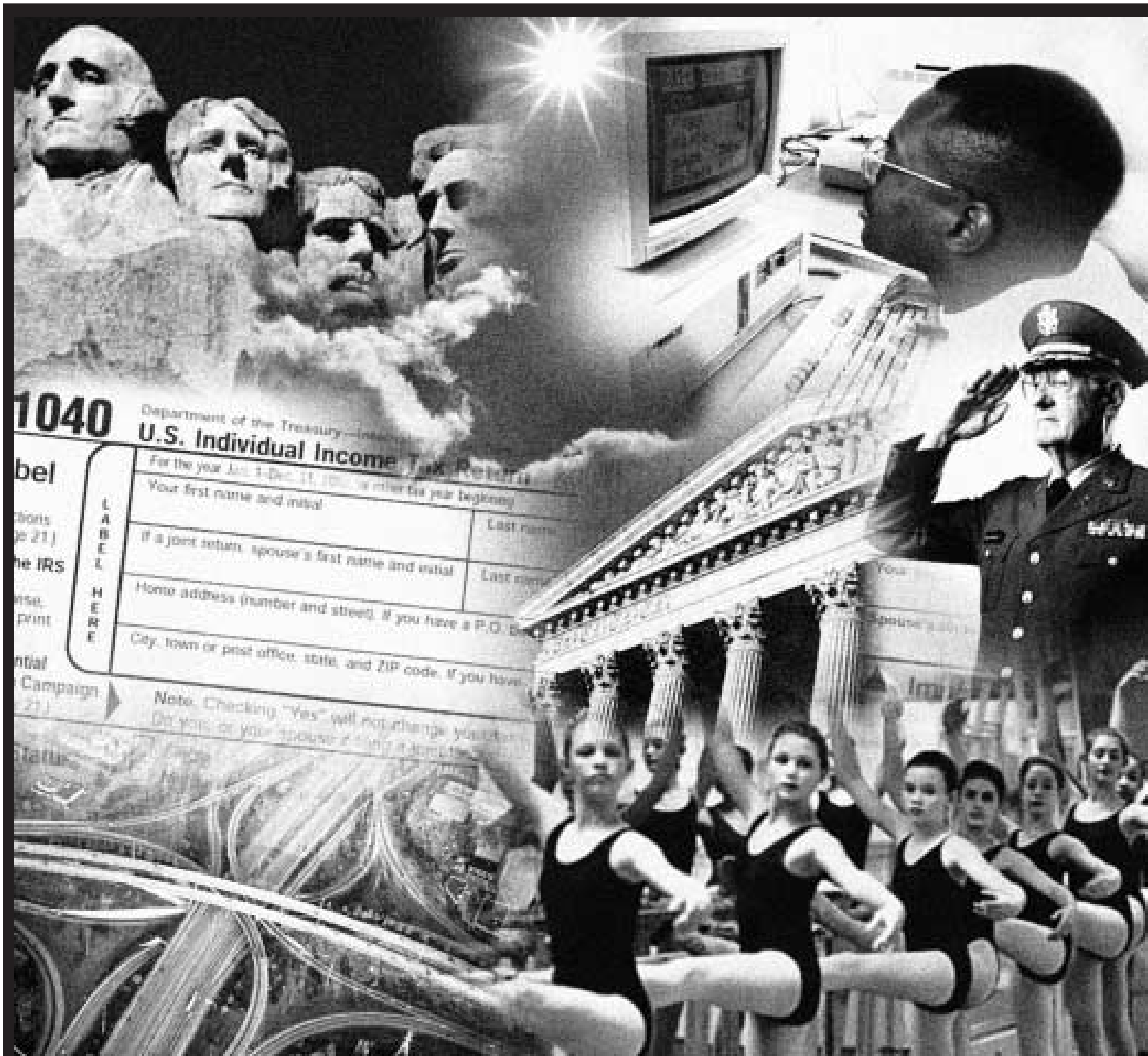
Publication 17

Catalog Number 10311G

For use in preparing

2004

Returns



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RECORDS Keep accurate records of all items that affect your basis. For more information on keeping records, see chapter 1.

Useful Items

You may want to see:

Publication

- ❏ 15-B Employer's Tax Guide to Fringe Benefits
- ❏ 525 Taxable and Nontaxable Income
- ❏ 535 Business Expenses
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- Excise taxes.
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- Revenue stamps.
- Recording fees.
- Real estate taxes (if you assume liability for the seller).

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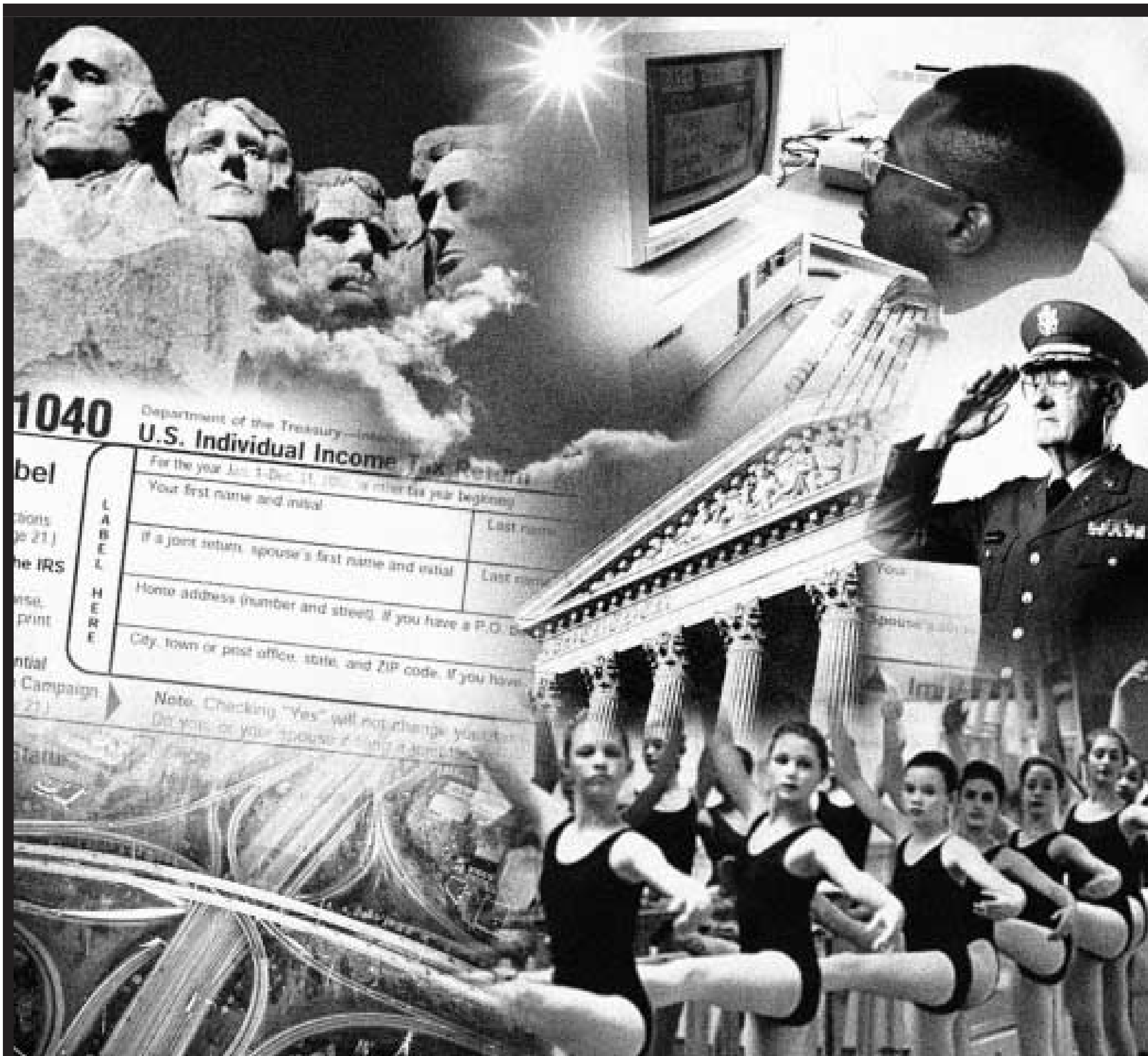

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- Freight,
- Installation and testing,
- Excise taxes,
- Legal and accounting fees (when they must be capitalized),
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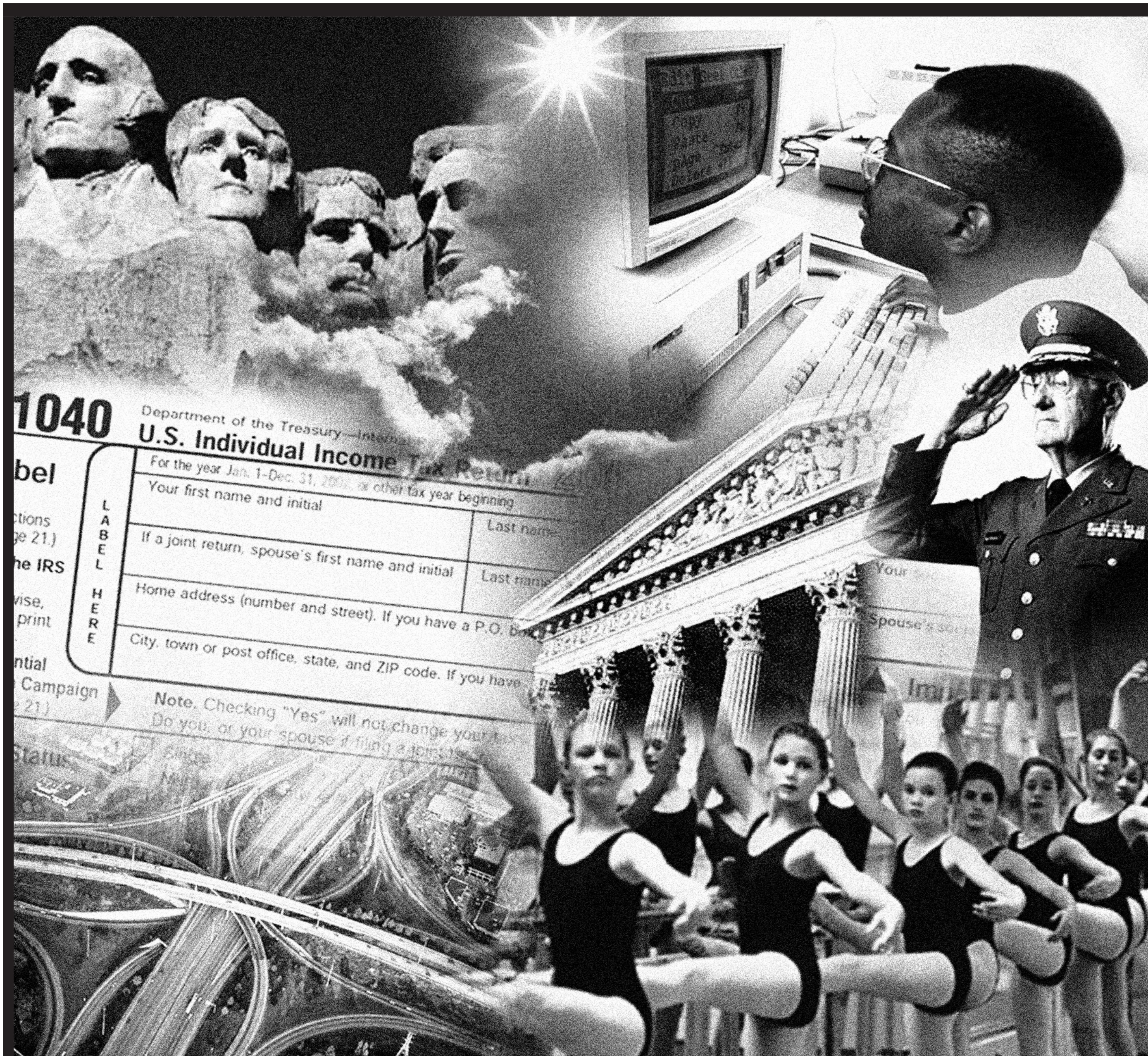

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- Casualty insurance premiums.
- Rent for occupancy of the property before closing.

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Catalog Number 10311G

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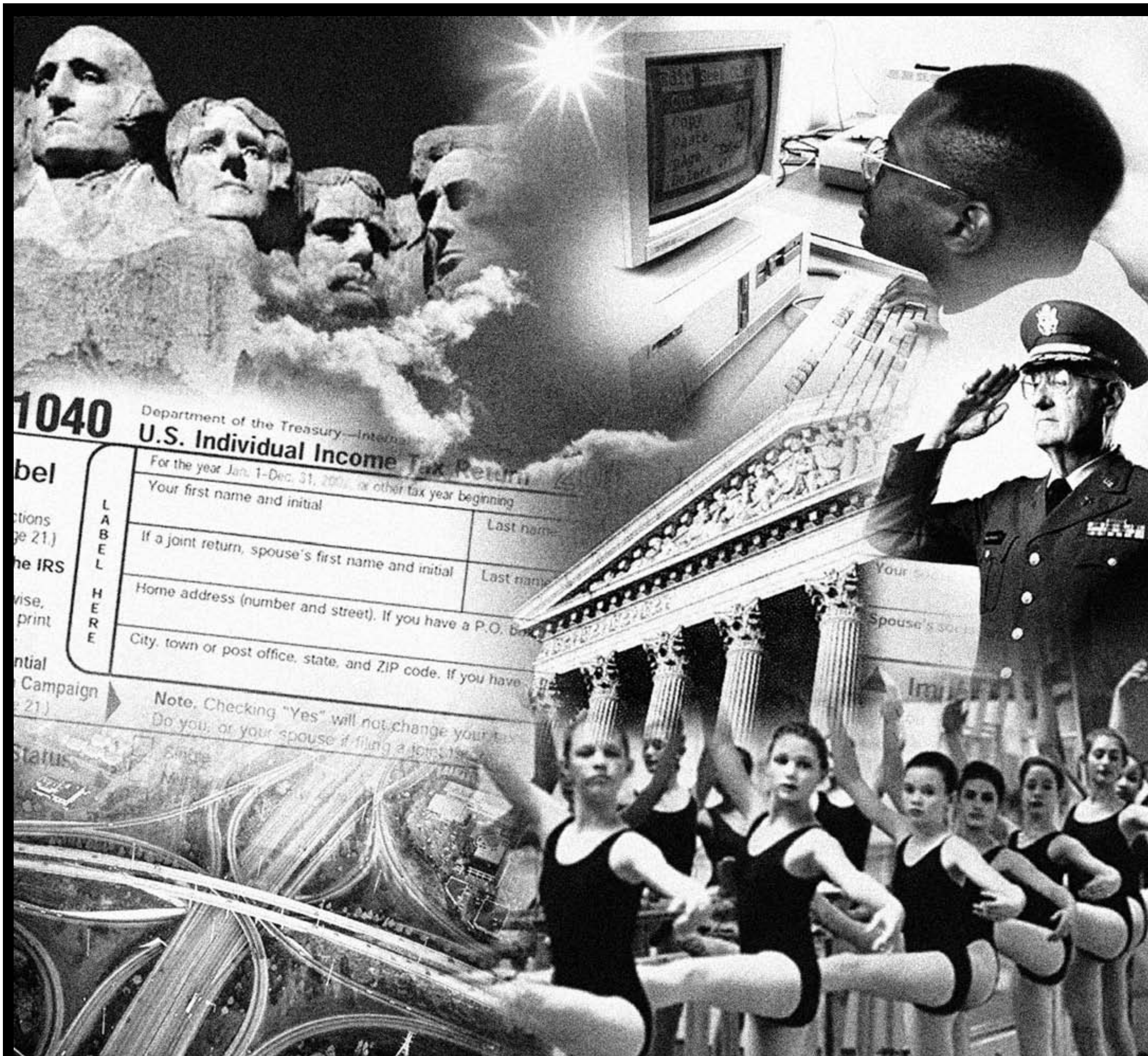

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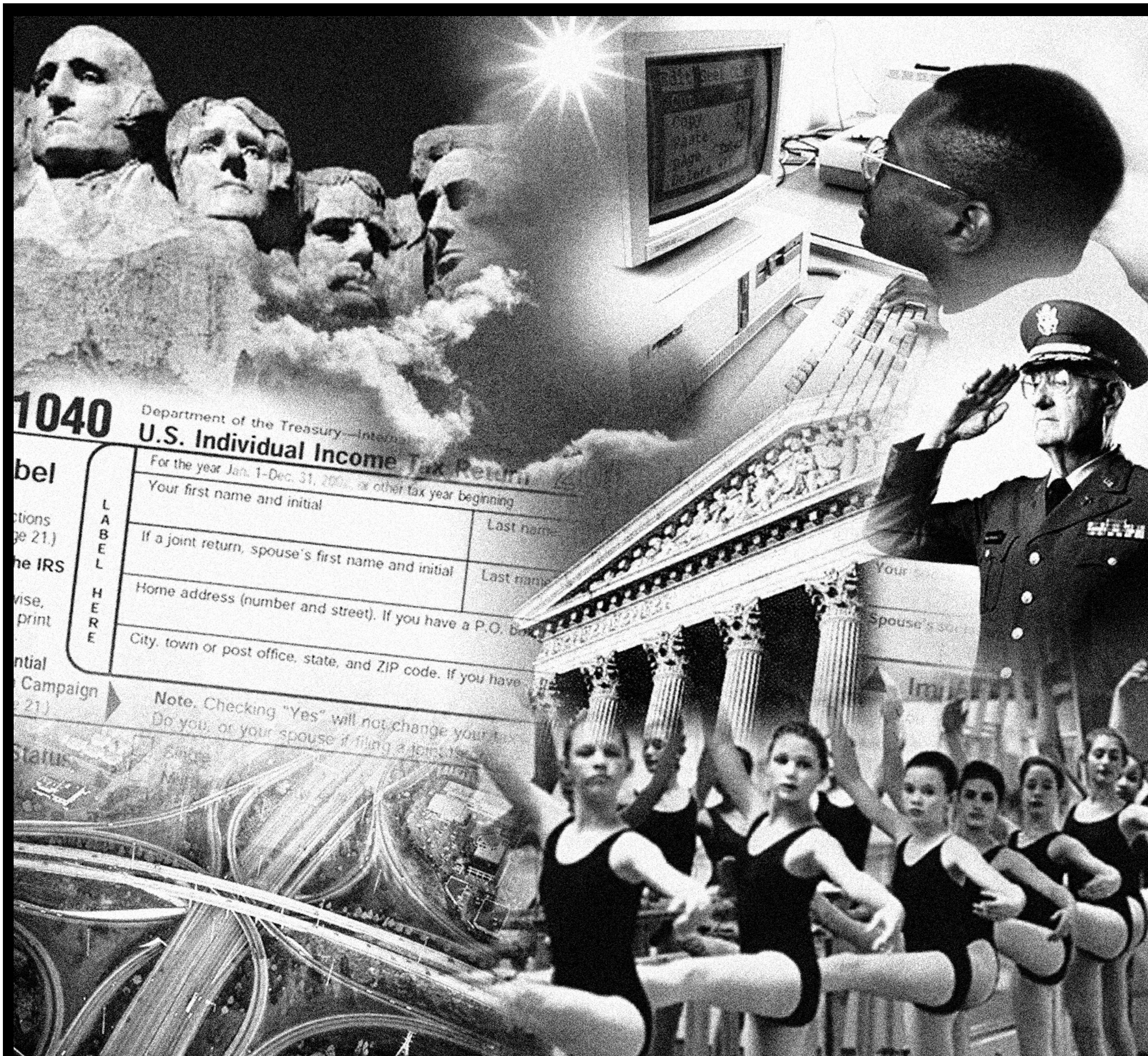

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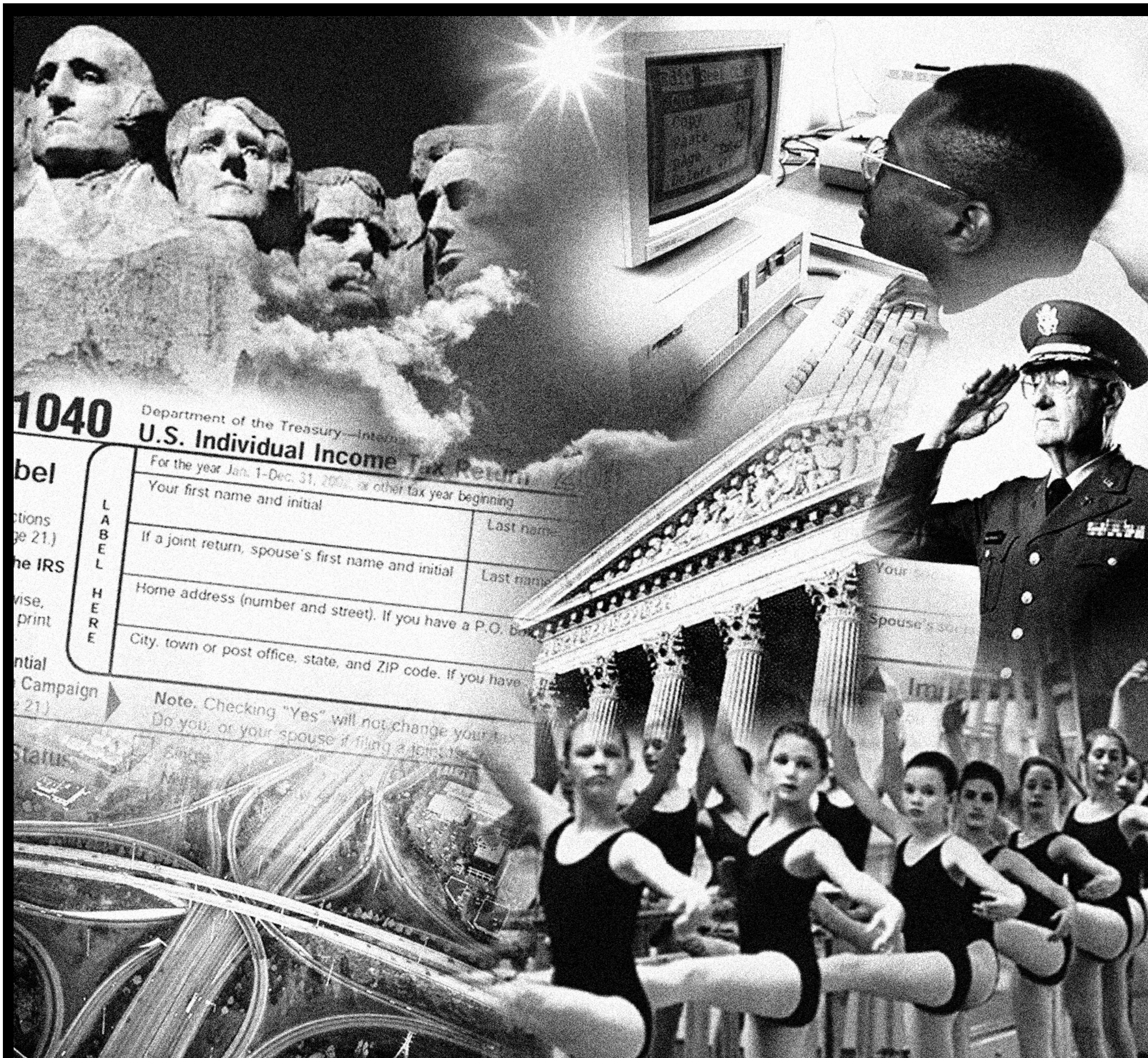

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- ❏ **564** Mutual Fund Distributions
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Part Three.

Gains and Losses

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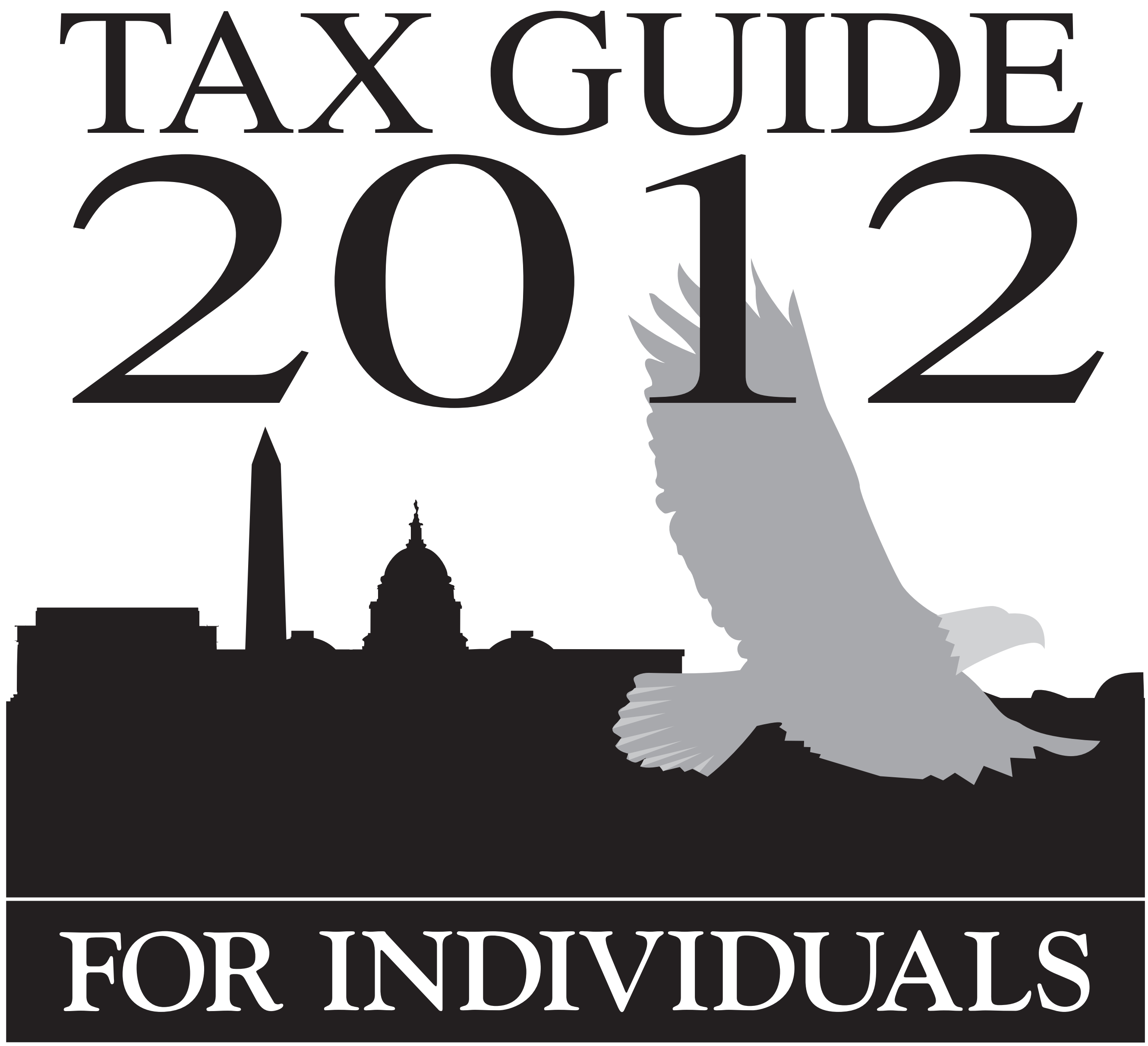

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Jan 31, 2013

Part Three.

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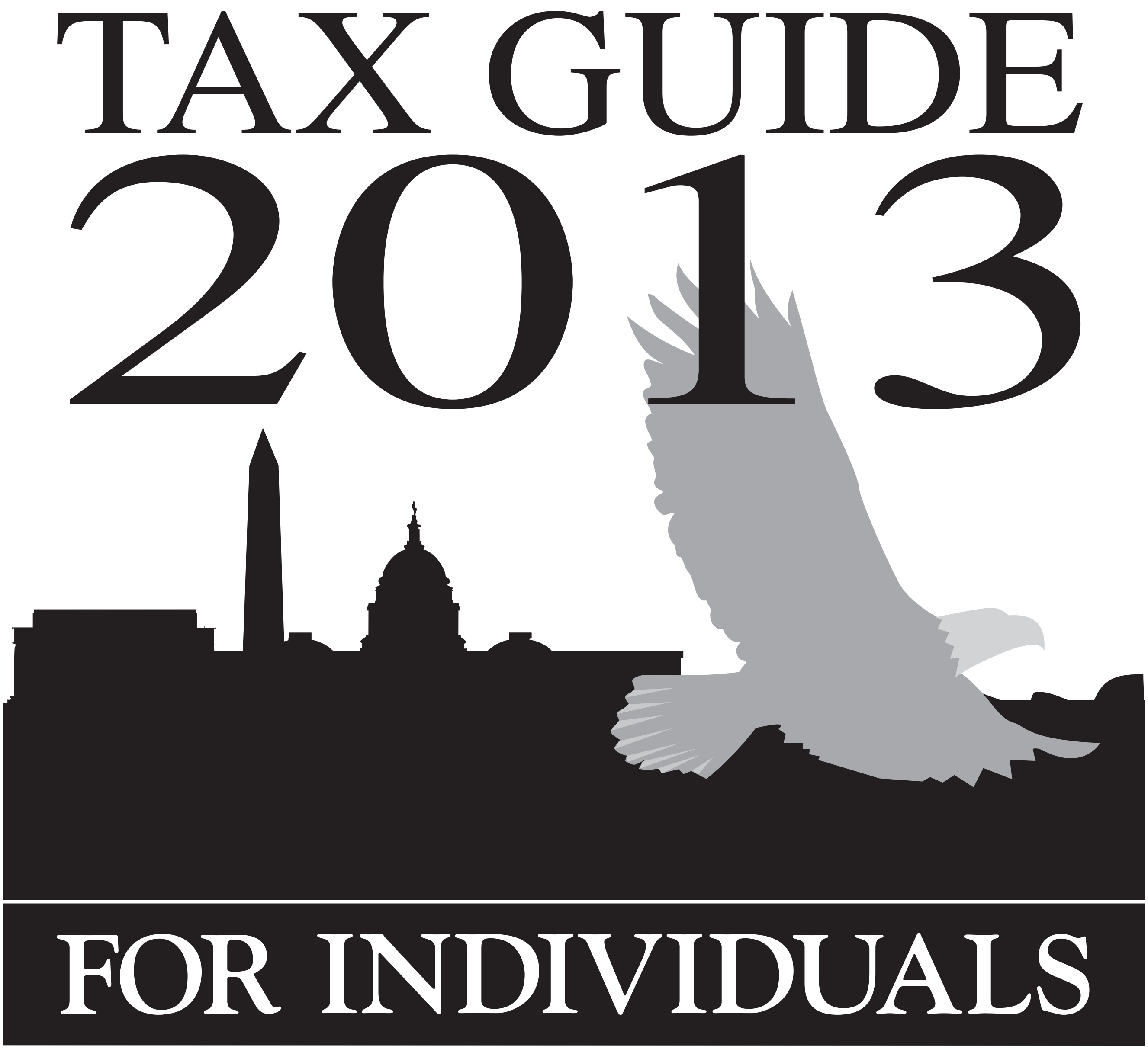

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Part Three.

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Feb 6, 2015

Part Three.

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Dec 24, 2015

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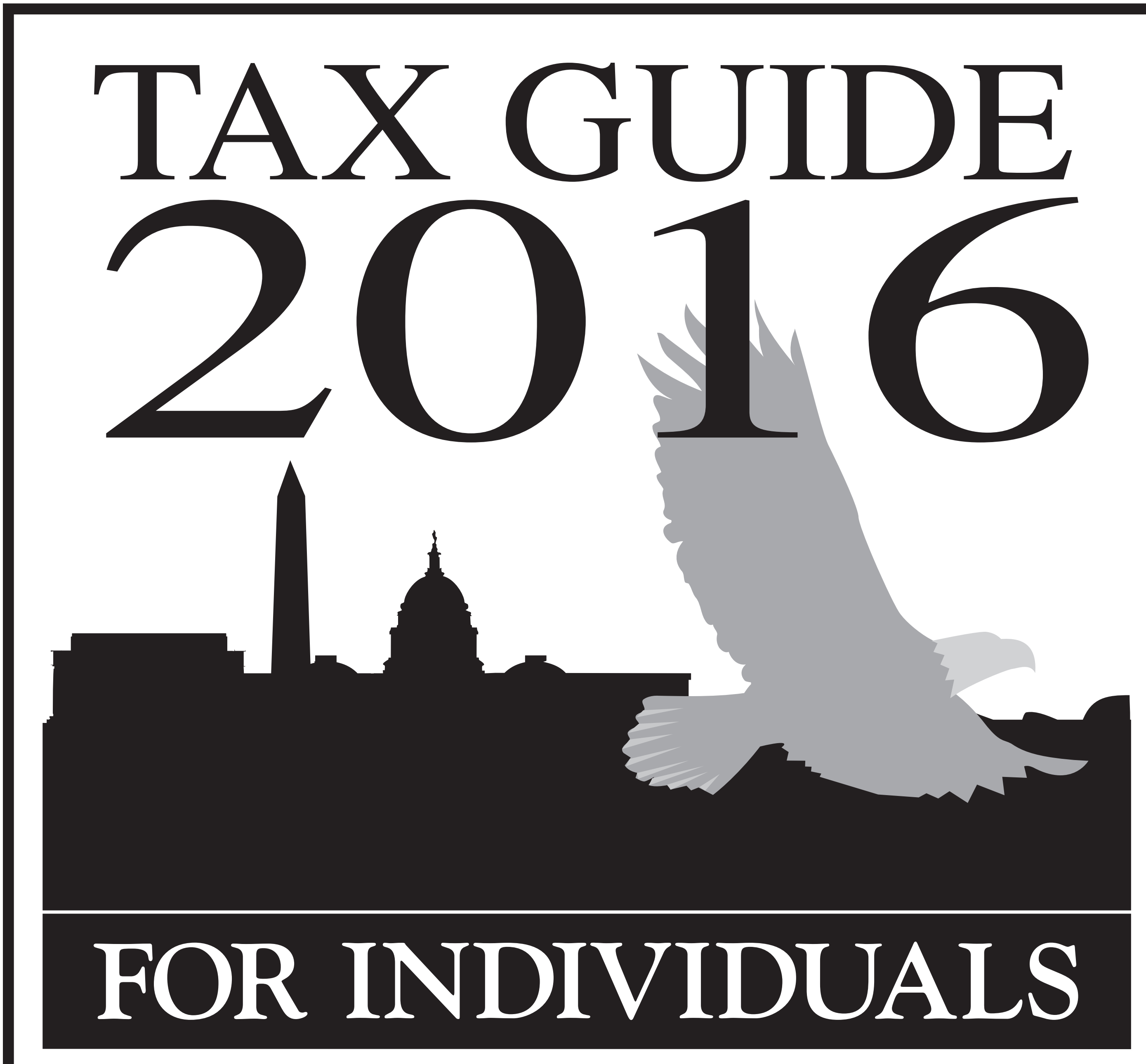

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Dec 27, 2016

Part Three.

Gains and Losses

The four chapters in this part discuss investment gains and losses, including how to figure your basis in property. A gain from selling or trading stocks, bonds, or other investment property generally is taxable. A loss may or may not be deductible. These chapters also discuss gains from selling property you personally use — including the special rules for selling your home. Nonbusiness casualty and theft losses are discussed in *chapter 25* in Part Five.

13. Basis of Property

Introduction

This chapter discusses how to figure your basis in property. It is divided into the following sections.

- Cost basis.
- Adjusted basis.
- Basis other than cost.

Your basis is the amount of your investment in property for tax purposes. Use the basis to figure the gain or loss on the sale, exchange, or other disposition of property. Also use it to figure deductions for depreciation, amortization, depletion, and casualty losses.

If you use property for both business or for production of income purposes, and for personal purposes, you must allocate the basis based on the use. Only the basis allocated to the business or the production of income part of the property can be depreciated.

Your original basis in property is adjusted (increased or decreased) by certain events. For example, if you make improvements to the property, increase your basis. If you take deductions for depreciation or casualty losses, or claim certain credits, reduce your basis.

RECORDS Keep accurate records of all items that affect the basis of your property. For more information on keeping records, see chapter 1.

Useful Items

You may want to see:

Publication

- ❏ **15-B** Employer's Tax Guide to Fringe Benefits
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- ❏ **551** Basis of Assets
- ❏ **946** How To Depreciate Property

Cost Basis

The basis of property you buy is usually its cost. The cost is the amount you pay in cash, debt obligations, other property, or services. Your cost also includes amounts you pay for the following items:

- Sales tax,
- Freight,
- Installation and testing,
- Excise taxes,
- Legal and accounting fees (when they must be capitalized),
- Revenue stamps,
- Recording fees, and
- Real estate taxes (if you assume liability for the seller).

In addition, the basis of real estate and business assets may include other items.

Loans with low or no interest. If you buy property on a time-payment plan that charges little or no interest, the basis of your property is your stated purchase price minus any amount considered to be unstated interest. You generally have unstated interest if your interest rate is less than the applicable federal rate.

For more information, see *Unstated Interest and Original Issue Discount (OID)* in Pub. 537.

Real Property

Real property, also called real estate, is land and generally anything built on, growing on, or attached to land.

If you buy real property, certain fees and other expenses you pay are part of your cost basis in the property.

Lump sum purchase. If you buy buildings and the land on which they stand for a lump sum, allocate the cost basis between the land and the buildings. Allocate the cost basis according to the respective fair market values (FMVs) of the land and buildings at the time of purchase. Figure the basis of each asset by multiplying the lump sum by a fraction. The numerator is the FMV of that asset and the denominator is the FMV of the whole property at the time of purchase.

TIP *If you are not certain of the FMVs of the land and buildings, you can allocate the basis according to their assessed values for real estate tax purposes.*

Fair market value (FMV). FMV is the price at which the property would change hands between a willing buyer and a willing seller, neither having to buy or sell, and both having reasonable knowledge of all the necessary facts. Sales of similar property on or about the same date may be helpful in figuring the FMV of the property.

Assumption of mortgage. If you buy property and assume (or buy the property subject to) an existing mortgage on the property, your basis includes the amount you pay for the property plus the amount to be paid on the mortgage.

Settlement costs. Your basis includes the settlement fees and closing costs you paid for buying the property. (A fee for buying property is a cost that must be paid even if you buy the property for cash.) Do not include fees and costs for getting a loan on the property in your basis.

The following are some of the settlement fees or closing costs you can include in the basis of your property.

- Abstract fees (abstract of title fees).
- Charges for installing utility services.
- Legal fees (including fees for the title search and preparation of the sales contract and deed).
- Recording fees.
- Survey fees.
- Transfer taxes.
- Owner's title insurance.
- Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

Settlement costs do not include amounts placed in escrow for the future payment of items such as taxes and insurance.

The following are some of the settlement fees and closing costs you cannot include in the basis of property.

- Casualty insurance premiums.

Department of the Treasury
Internal Revenue Service

Your Federal Income Tax

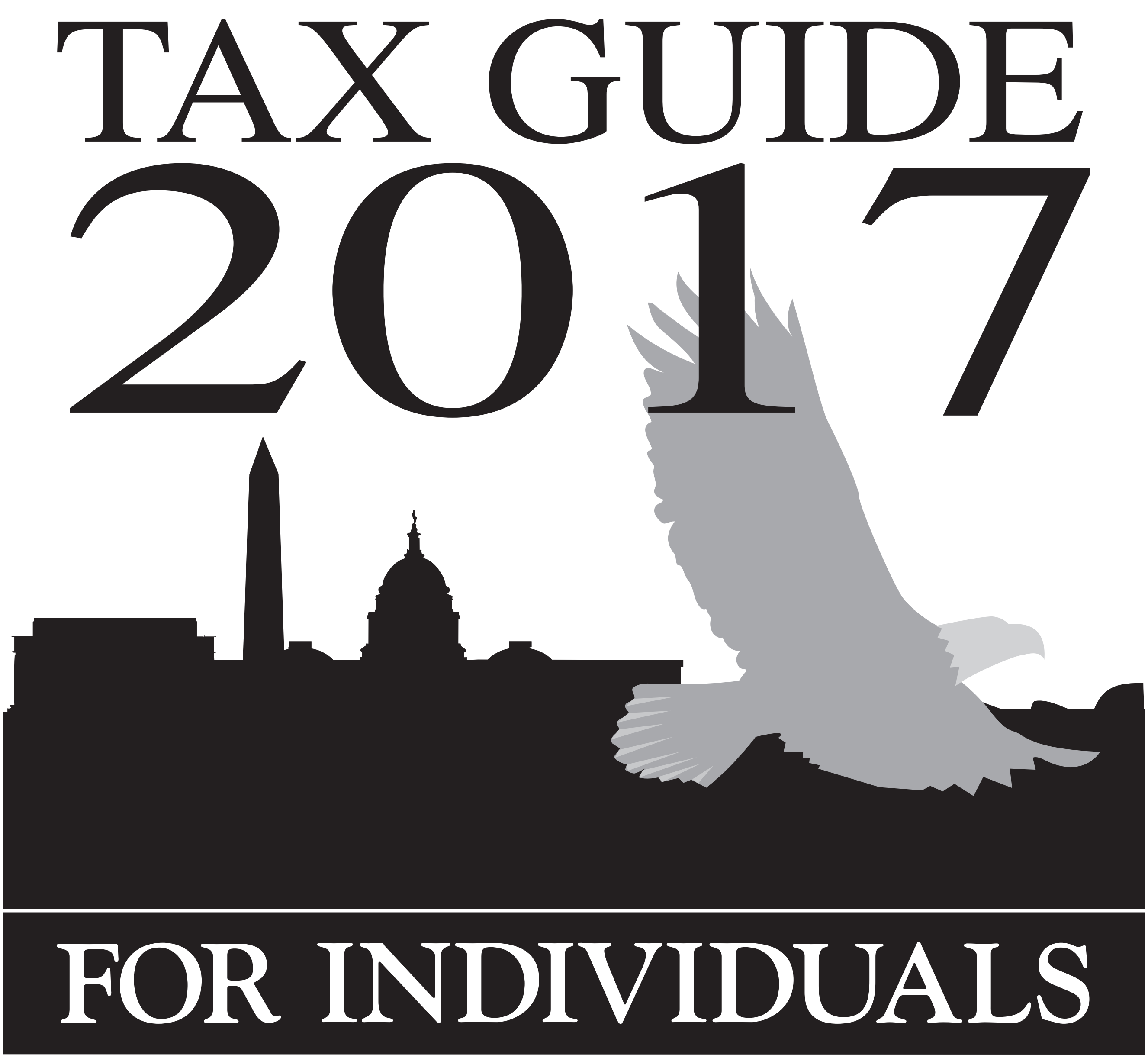
For Individuals

Publication 17

Catalog Number 10311G

For use in preparing

2017 Returns



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- IRS.gov/Vietnamese (TiếngViệt)

Dec 12, 2017

Part Three.

Gains and Losses

The four chapters in this part discuss investment gains and losses, including how to figure your basis in property. A gain from selling or trading stocks, bonds, or other investment property generally is taxable. A loss may or may not be deductible. These chapters also discuss gains from selling property you personally use — including the special rules for selling your home. Nonbusiness casualty and theft losses are discussed in [chapter 25](#) in Part Five.

13. Basis of Property

What's New

CAUTION

At the time this publication went to print, Congress was considering legislation that would do the following.

1. *Provide additional tax relief for those affected by Hurricane Harvey, Irma, or Maria, and tax relief for those affected by other 2017 disasters, such as the California wildfires.*
2. *Extend certain tax benefits that expired at the end of 2016 and that currently can't be claimed on your 2017 tax return.*
3. *Change certain other tax provisions.*

To learn whether this legislation was enacted resulting in changes that affect your 2017 tax return, go to Recent Developments at IRS.gov/Pub17.

Introduction

This chapter discusses how to figure your basis in property. It is divided into the following sections.

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- Excise taxes.
- Legal and accounting fees (when they must be capitalized).
- Revenue stamps.
- Recording fees.
- Real estate taxes (if you assume liability for the seller).

In addition, the basis of real estate and business assets may include other items.

Loans with low or no interest. If you buy property on a time-payment plan that charges little or no interest, the basis of your property is your stated purchase price minus any amount considered to be unstated interest. You generally have unstated interest if your interest rate is less than the applicable federal rate.

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Your Federal Income Tax

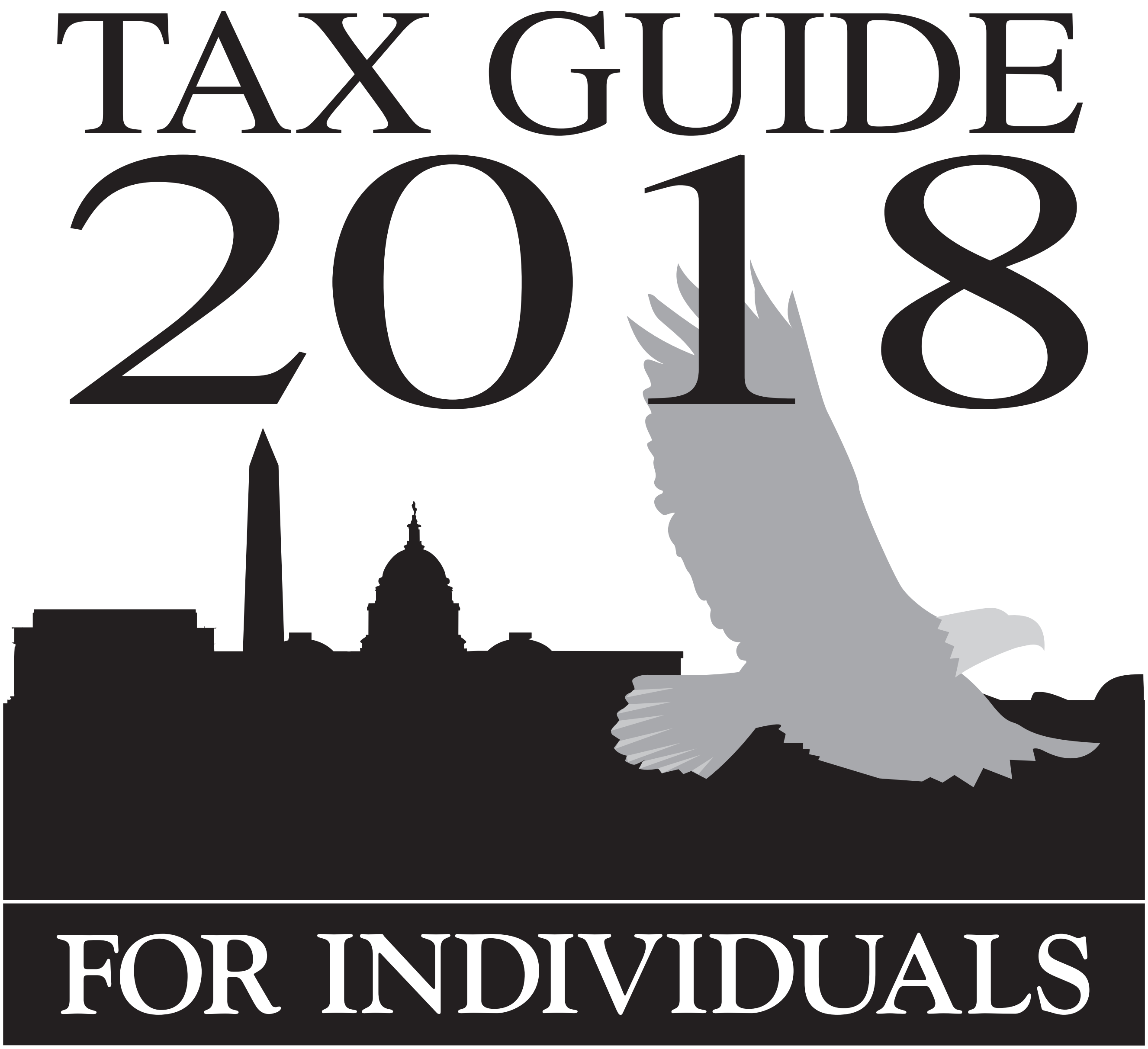
For Individuals

Publication 17

Catalog Number 10311G

For use in preparing

2018 Returns



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- *IRS.gov/Korean* (한국어)
- *IRS.gov/Russian* (Русский)
- *IRS.gov/Vietnamese* (TiếngViệt)

Jan 30, 2019

Part Three.

Gains and Losses

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The new Form 1040 schedule that is discussed in these chapters is:

- *Schedule 1, Additional Income and Adjustments to Income.*

13. Basis of Property

What's New

CAUTION

At the time this publication went to print, Congress was considering legislation that would do the following.

1. *Provide additional tax relief for those affected by certain 2018 disasters.*
2. *Extend certain tax benefits that expired at the end of 2017 and that currently can't be claimed on your 2018 tax return.*
3. *Change certain other tax provisions.*

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Special rules for capital gains invested in Qualified Opportunity Funds. Effective December 22, 2017, code section 1400Z-2 provides a temporary deferral of inclusion in gross income for certain capital gains invested in Qualified Opportunity Funds (QOFs), and a potential permanent exclusion of gains from the sale or exchange of an investment in a QOF if the investment is held for at least 10 years. For more information, see the Instructions for Form 8949. For additional information, please see the Frequently Asked Questions for Opportunity Zones.

Exchanges limited to real property. Beginning after 2017, section 1031 like-kind exchange treatment applies only to exchanges of real property held for use in a trade or business or for investment, other than real property held primarily for sale.

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- ❏ **946** How To Depreciate Property

For these and other useful items, go to IRS.gov/forms.

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Feb 18, 2020

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The Form 1040 and 1040-SR schedule that is discussed in these chapters is:

- *Schedule 1, Additional Income and Adjustments to Income.*

13.

Basis of Property

Reminders

Special rules for capital gains invested in Qualified Opportunity Funds. Effective December 22, 2017, Code section 1400Z-2 provides a temporary deferral of inclusion in gross income for certain capital gains invested in Qualified Opportunity Funds (QOFs), and a potential permanent exclusion of gains from the sale or exchange of an investment in a QOF if the investment is held for at least 10 years. For more information, see the Instructions for Form 8949. For reporting information, see Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, and its instructions. For additional information, please see the *Frequently Asked Questions* for Opportunity Zones.

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