

15. A calendar-year individual taxpayer's office building was destroyed by fire on December 24, 2012. Insurance proceeds of \$800,000 were received on March 1, 2013. What is the latest date that the individual can replace the office building in order to qualify for nonrecognition of gain from an involuntary conversion?
 - a. December 31, 2012
 - b. December 31, 2014
 - c. March 1, 2014
 - d. December 31, 2015
 - e. December 31, 2016
16. Jody purchased a home in a suburb of Milwaukee for \$300,000 on October 1, 2012. Eighteen months later her employer transferred her to Minneapolis and Jody sold her home for \$340,000. How much of Jody's gain from the sale of her Milwaukee home can be excluded from gross income?
 - a. \$0
 - b. \$10,000
 - c. \$30,000
 - d. \$40,000

Problems

Answer the following questions.

1. Z exchanged the following old machines for new machines in seven independent "like-kind" exchanges. For each exchange, compute the amount of gain or loss realized and recognized, and the basis of the new machinery. For (g), also compute the basis of the unlike property.

	<i>Adjusted Basis of Old Machine</i>	<i>Boot Given</i>	<i>FMV of New Machine</i>	<i>Boot Received</i>	<i>Realized Gain (Loss)</i>	<i>Recognized Gain (Loss)</i>	<i>Basis of New Machine</i>
a.	\$6,000	\$0	\$7,000	\$0	\$_____	\$_____	\$_____
b.	\$6,000	\$2,000	\$9,000	\$0	\$_____	\$_____	\$_____
c.	\$6,000	\$4,000	\$9,000	\$0	\$_____	\$_____	\$_____
d.	\$6,000	\$0	\$5,500	\$1,000	\$_____	\$_____	\$_____
e.	\$6,000	\$0	\$6,500	\$1,000	\$_____	\$_____	\$_____
f.	\$6,000	\$0	\$4,500	\$1,000	\$_____	\$_____	\$_____
g.	\$6,000	\$0	\$6,500	\$300*	\$_____	\$_____	\$_____

* Computer with a FMV of \$300

The basis of the computer would be \$_____.

2. Assume the facts in (a) through (e), below, are independent and relate to the involuntary conversion of business property. Also assume the taxpayer reinvests the insurance proceeds as indicated in "similar use" property and elects not to recognize gain where possible. For each involuntary conversion, compute the gain or loss realized and recognized, and the basis of replacement property.

	<i>Basis of Property Destroyed</i>	<i>Insurance Proceeds Received</i>	<i>Expended for Replacement Property</i>	<i>Realized Gain (Loss)</i>	<i>Recognized Gain (Loss)</i>	<i>Basis of Replacement Property</i>
a.	\$10,000	\$20,000	\$23,000	\$_____	\$_____	\$_____
b.	\$10,000	\$20,000	\$18,000	\$_____	\$_____	\$_____
c.	\$10,000	\$9,000	\$12,000	\$_____	\$_____	\$_____
d.	\$10,000	\$14,000	\$9,000	\$_____	\$_____	\$_____
e.	\$10,000	\$9,000	\$8,000	\$_____	\$_____	\$_____

COMPREHENSIVE PROBLEMS

1. America Los Rios (age 36) is a single taxpayer, living at 4700 Oak Drive, Sacramento, CA 95841. Her Social Security number is 976-23-5132. America's earnings and income tax withholding as the manager of a local supermarket store for 2015 are:

Earnings	\$69,000
Federal income tax withheld	14,800
State income tax withheld	2,300

America's other income includes qualifying dividends on American River Corporation stock of \$4,400 and interest on a long-term certificate of deposits at Bank of Sacramento of \$5,205.

During the year, America paid the following amounts (all of which can be substantiated):

Home mortgage interest	\$10,600
Credit card interest	550
Auto loan interest	1,700
Life insurance (universal policy)	750
Property taxes on personal residence	1,150
Blue Cross medical insurance premiums	650
Other medical expenses	790
Income tax preparation fee	250
Charitable contributions (in cash)	575

In her spare time, America trades stocks and bonds. During the year, she sold several stocks and received a Form 1099-B, which showed the following:

Stock	Acquired	Sold	Price	Basis
Red Co.	02/01/05	10/05/15	\$5,500	\$2,500
Green Co.	06/11/15	08/03/15	4,000	5,000
Blue Co.	12/12/14	09/22/15	6,200	5,000
White Co.	05/12/04	10/15/15	7,000	4,000
Black Co.	09/15/08	11/01/15	5,500	6,750

Required: Complete America's federal tax return for 2015. Use Form 1040, Schedule A, Schedule B, Schedule D, Form 8949, and the Qualified Dividends and Capital Gain Tax Worksheet on Pages 8-57 to 8-65 to complete this tax return (she is not subject to Alternative Minimum Tax). Make realistic assumptions about any missing data.