

DISGUISED SALE PLANNING

The University of Texas School of Law
70th Annual Taxation Conference
November 30 - December 1, 2022

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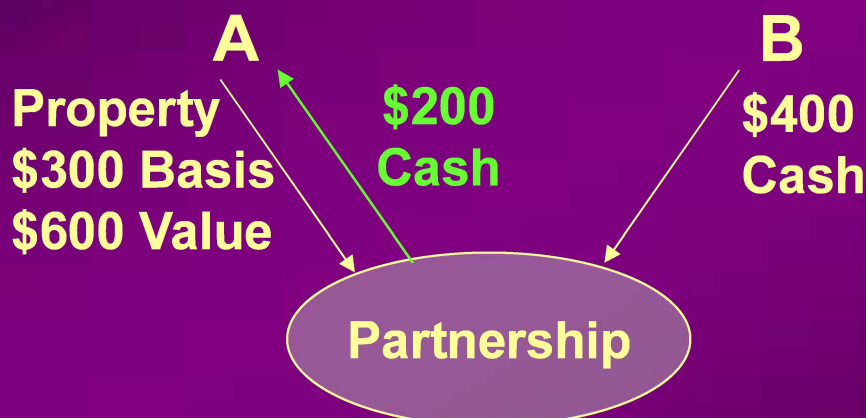
A has no gain; \$100 basis

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*A is deemed to sell 1/3 of property for \$200;
has \$100 gain, \$200 basis in interest*

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*A is presumed to have sold 185/600 of property on
1/1/20 for \$185 plus \$15 imputed interest*

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A is presumed not to have sold the property.

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Capital Account Distortions

As Maintained		As Adjusted	
Prop 600		Prop	
		Cont 415	
Cash 200		Purch 185	
	400 A		407.5 A
	400 B	Cash 200	392.5 B

Imputed interest expense must be specially allocated to A to avoid capital account distortion.

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First appeared as part of the conference materials for the
70th Annual Taxation Conference: Day 2 - Business Transactions session
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