

DISGUISED SALE PLANNING

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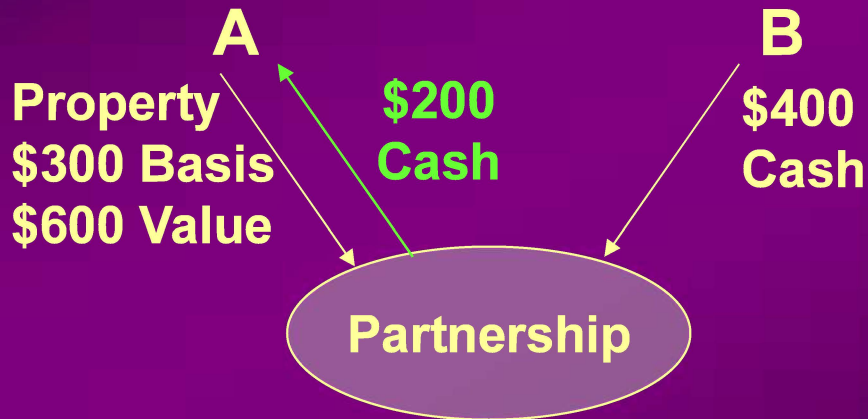


A has no gain; \$100 basis

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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	Cash 200	407.5 A
	400 B		392.5 B

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

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