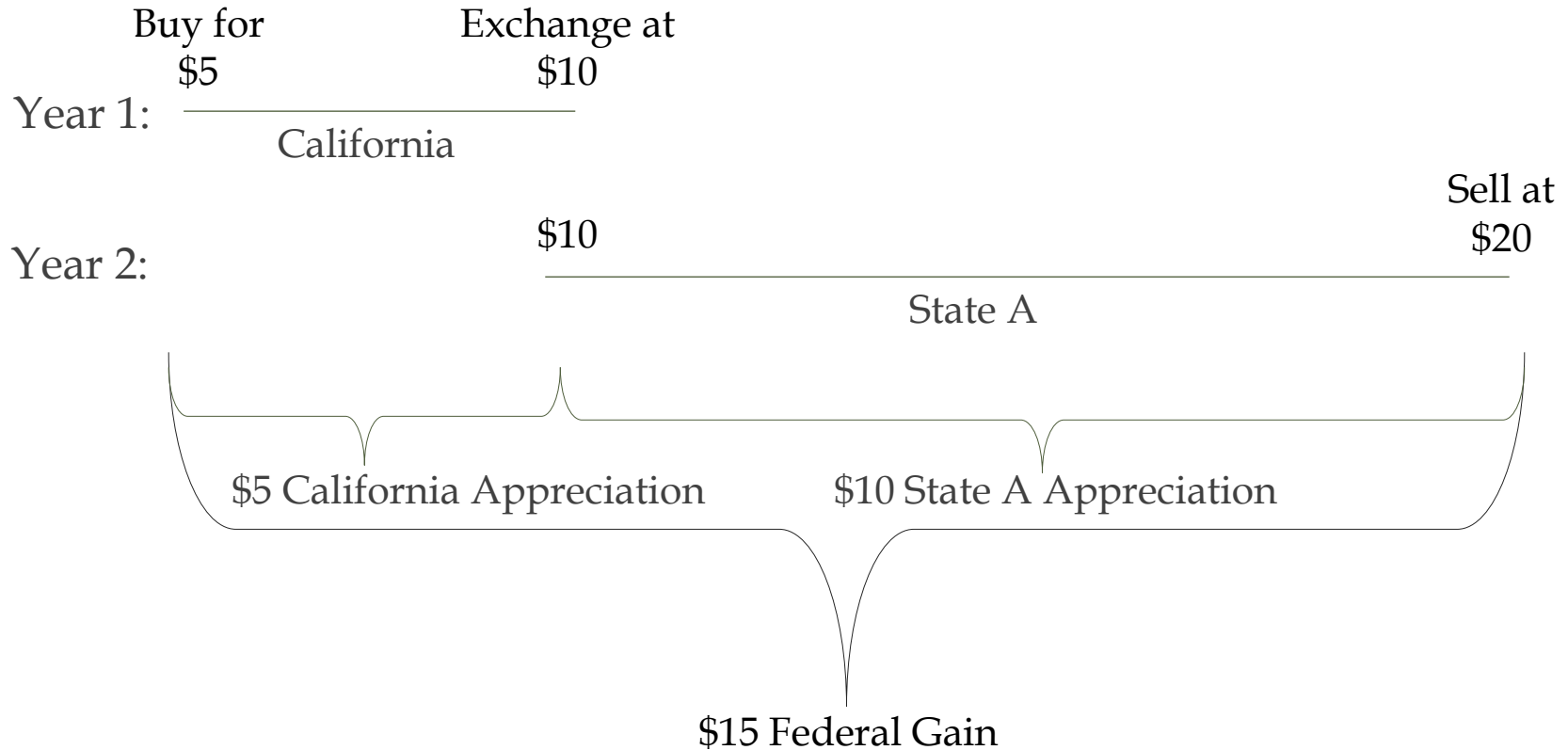


**INTERESTED PARTIES  
MEETING  
1031 EXCHANGE SOURCING  
REGULATION**

February 3, 2016

NOTE: This handout is intended only for purposes of facilitating discussion at the interested parties meeting on February 3, 2016 - it illustrates the various scenarios that FTB staff will be referring to during our discussion.

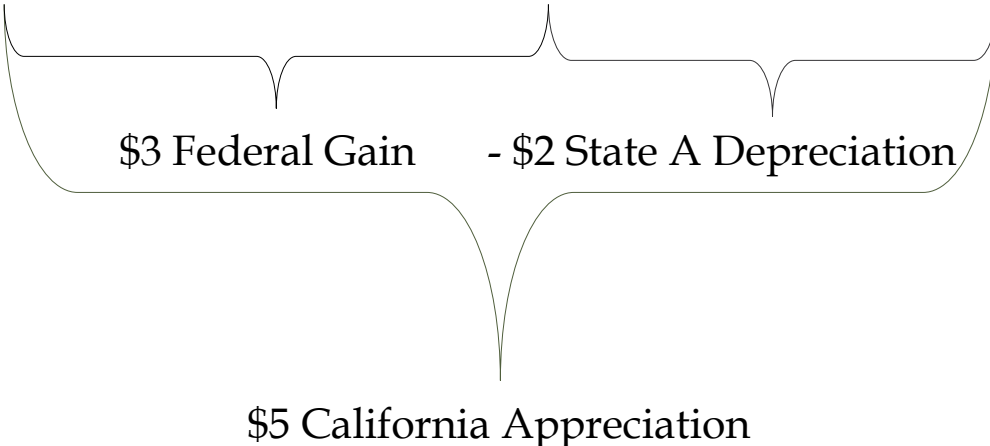
# 1. Exchange out of California - Appreciation in Value



- How much of the \$15 federal gain (\$20 sales price minus \$5 basis) is California source gain?

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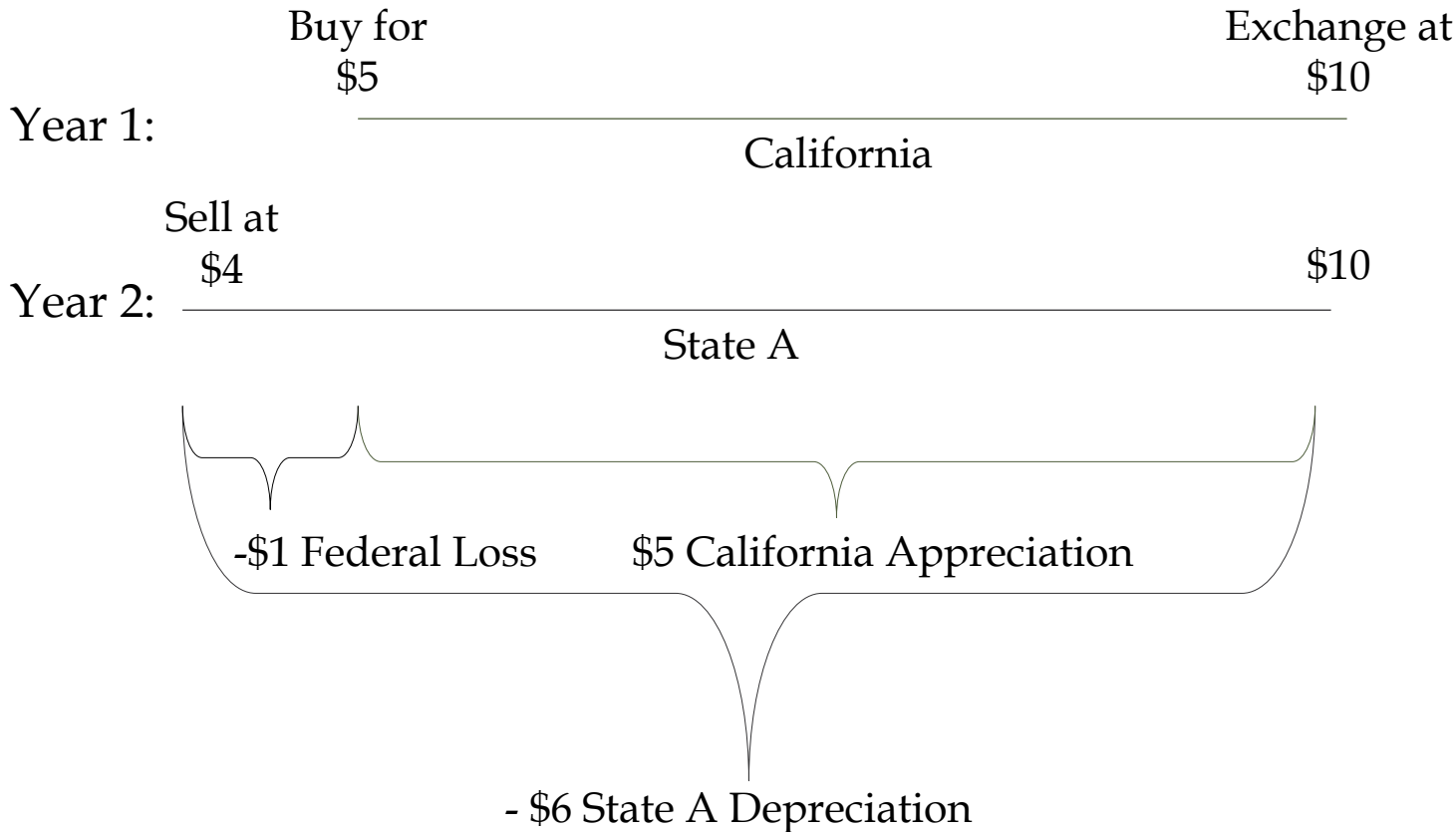
## 2. Exchange out of California - Depreciation in Value



- How much of the \$3 federal gain (\$8 sales price minus \$5 basis) is California source gain?
- Does TP have California source gain in excess of the federal gain reported in the year the State A property is sold?

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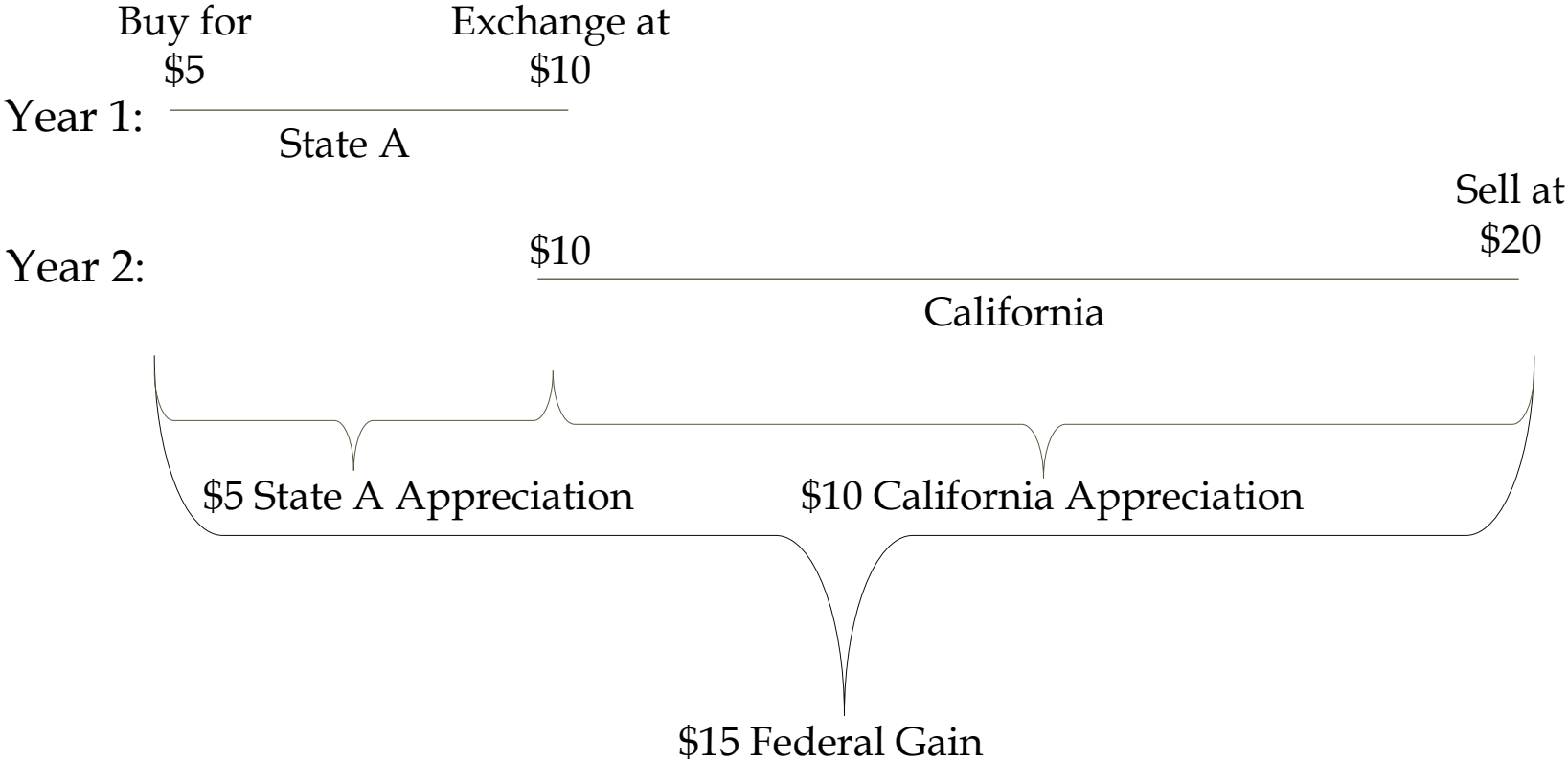
### 3. Exchange out of California - Loss on Sale



- How much of the \$1 federal loss (\$4 sales prices minus \$5 basis) is California source loss?
- Does TP have California source gain in the year State A property is sold even though a federal loss is reported?

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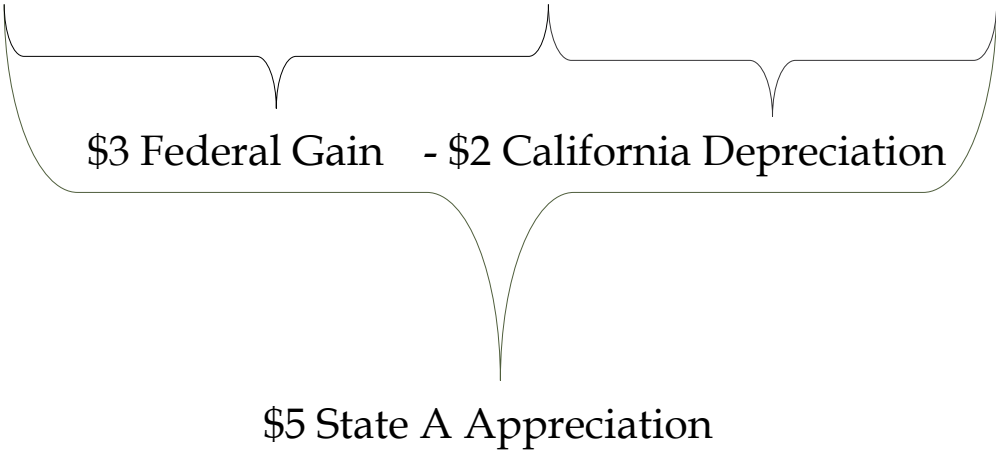
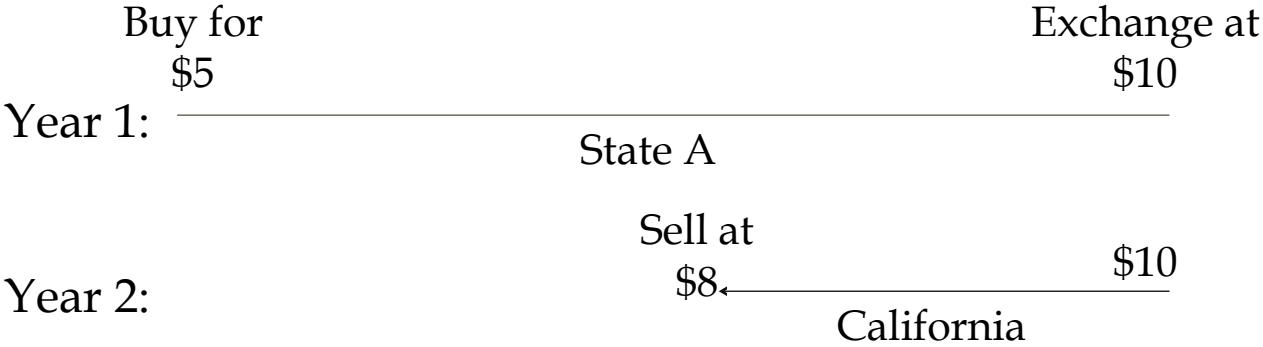
### 4. Exchange into California – Appreciation in Value



- How much of the \$15 federal gain (\$20 sales price minus \$5 basis) is California source gain?

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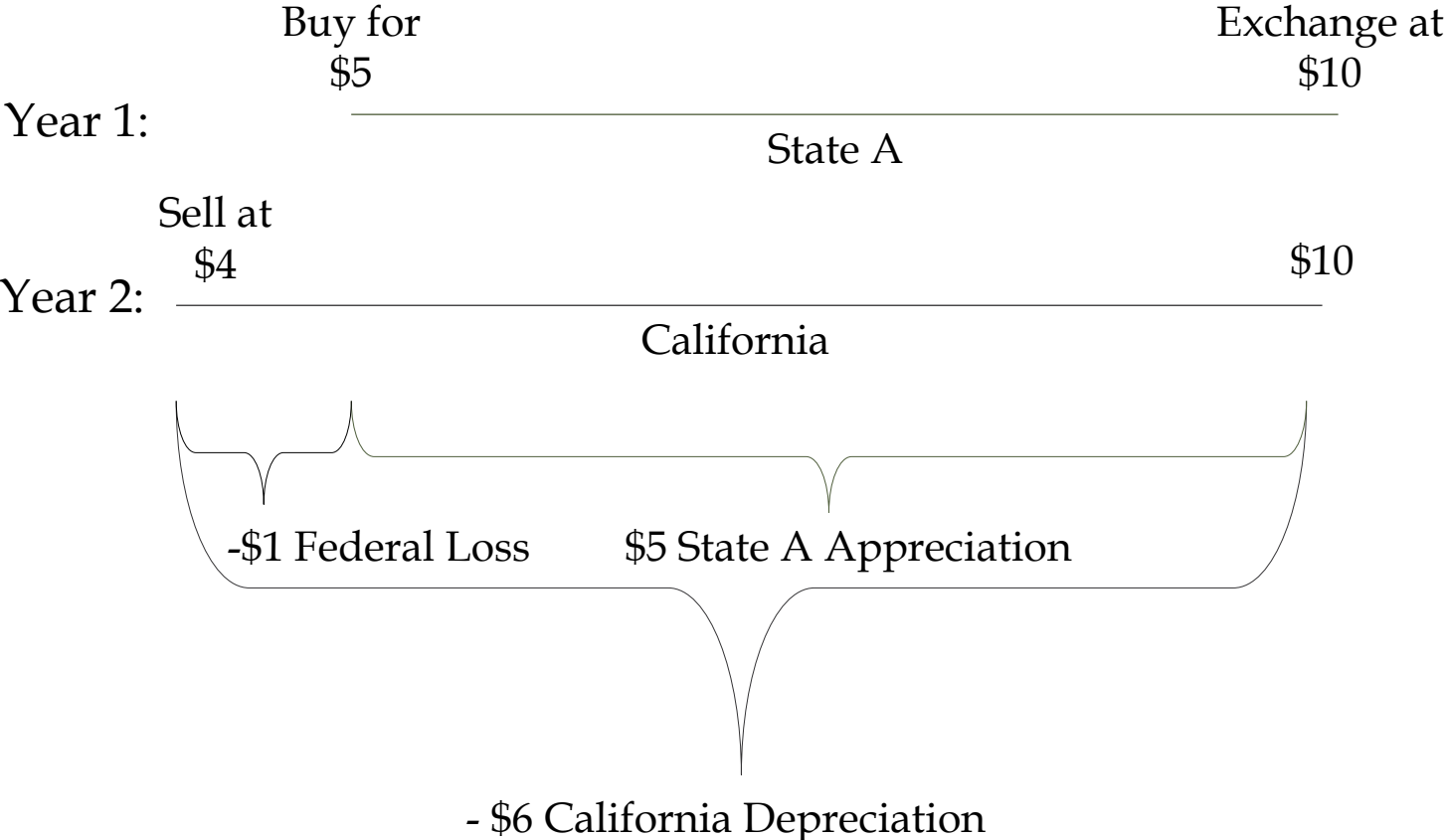
## 5. Exchange into California - Depreciation in Value



- How much of the \$3 federal gain (\$8 sales price minus \$5 basis) is California source gain?
- Does TP have a California source loss even though TP is reporting a federal gain in the year the California replacement property is sold?

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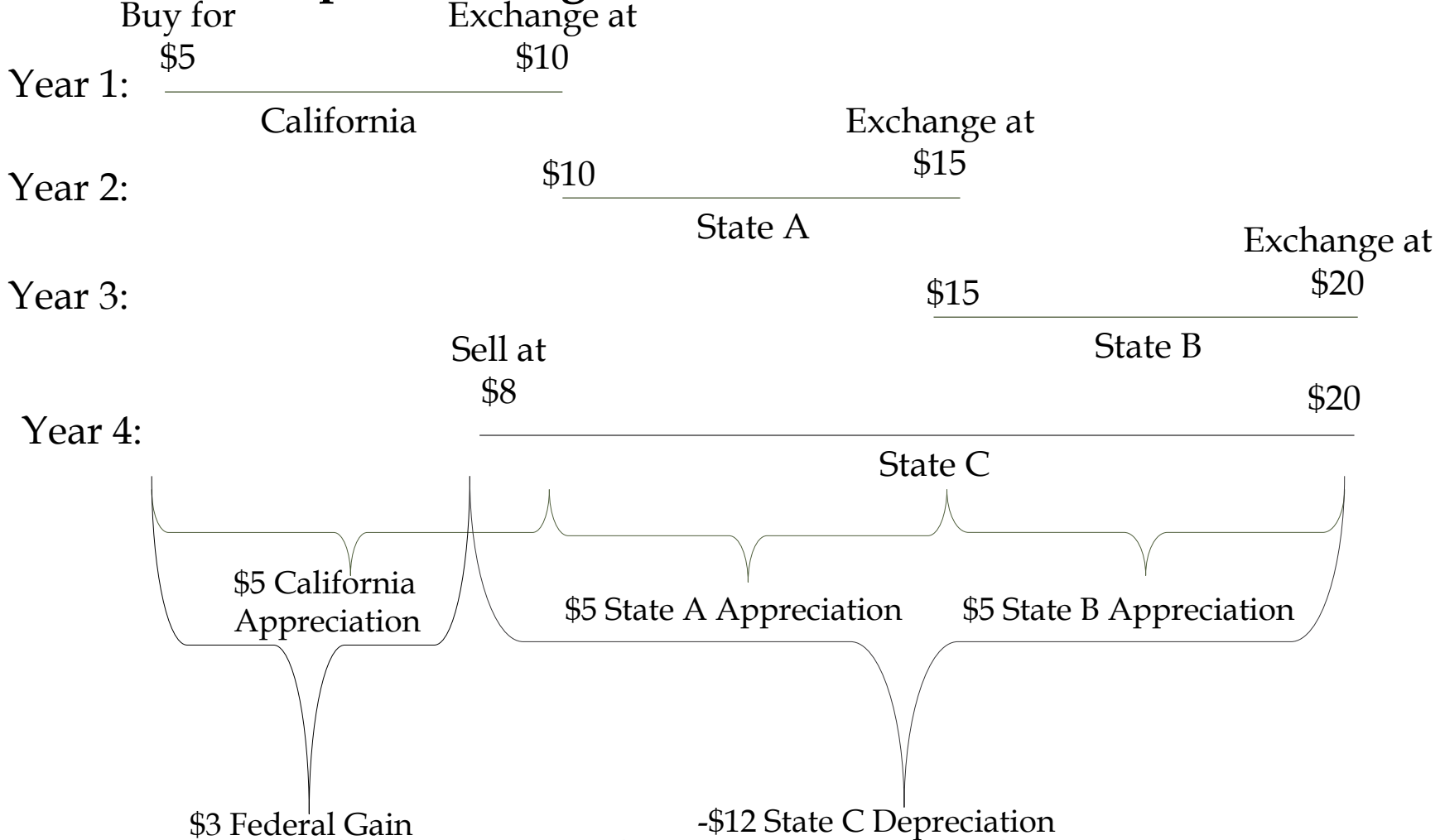
## 6. Exchange into California - Loss on Sale



- How much of the \$1 federal loss (\$4 sales prices minus \$5 basis) is California source loss?
- Does TP have California source loss in excess of the federal loss in the year the California replacement property is sold?

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## 7. Multiple Exchanges - Insufficient Deferred Gain



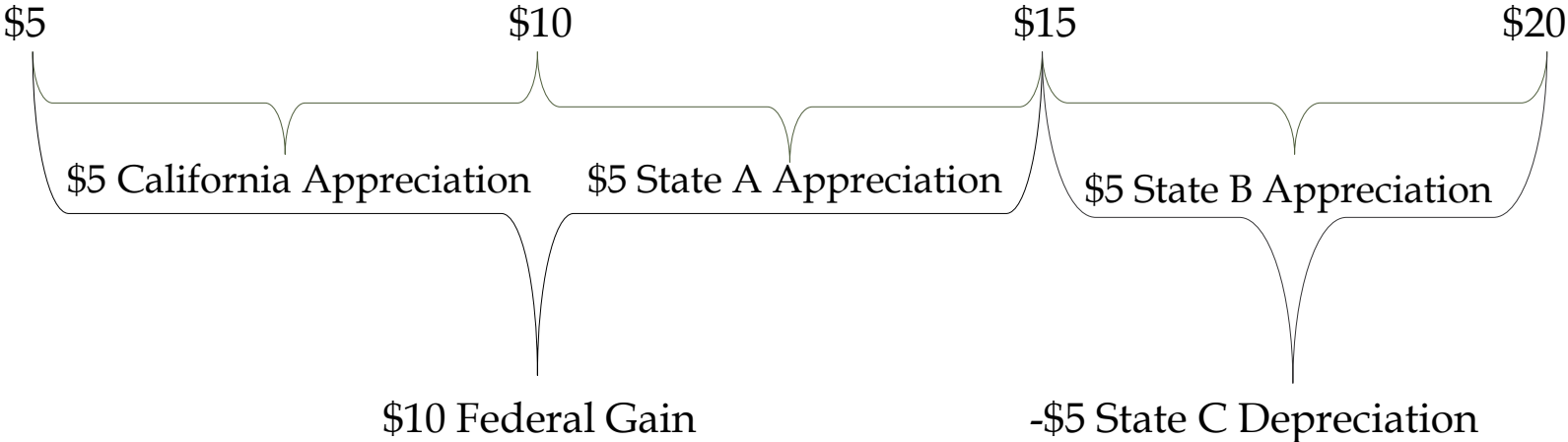
- How much of the \$3 federal gain (\$8 sales prices minus \$5 basis) is California source gain?
- Does TP have California source gain in excess of the federal gain reported in the year the State C property is sold?



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# 7. Multiple Exchanges – Insufficient Deferred Gain - Cont'd

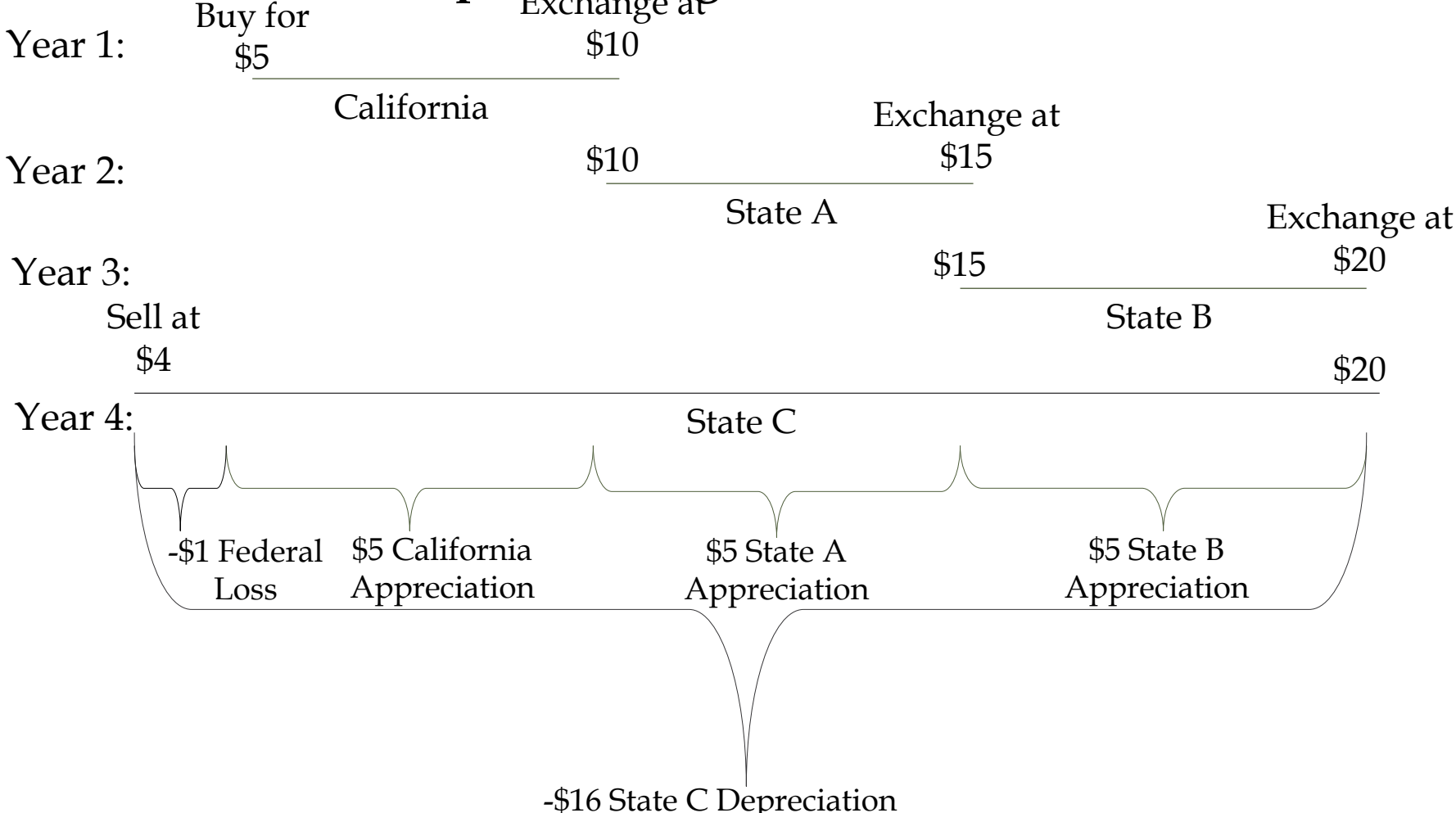
New Fact: The State C property is sold for \$15 instead of \$8.



- How much of the \$10 federal gain (\$15 sales price minus \$5 basis) is California source gain?

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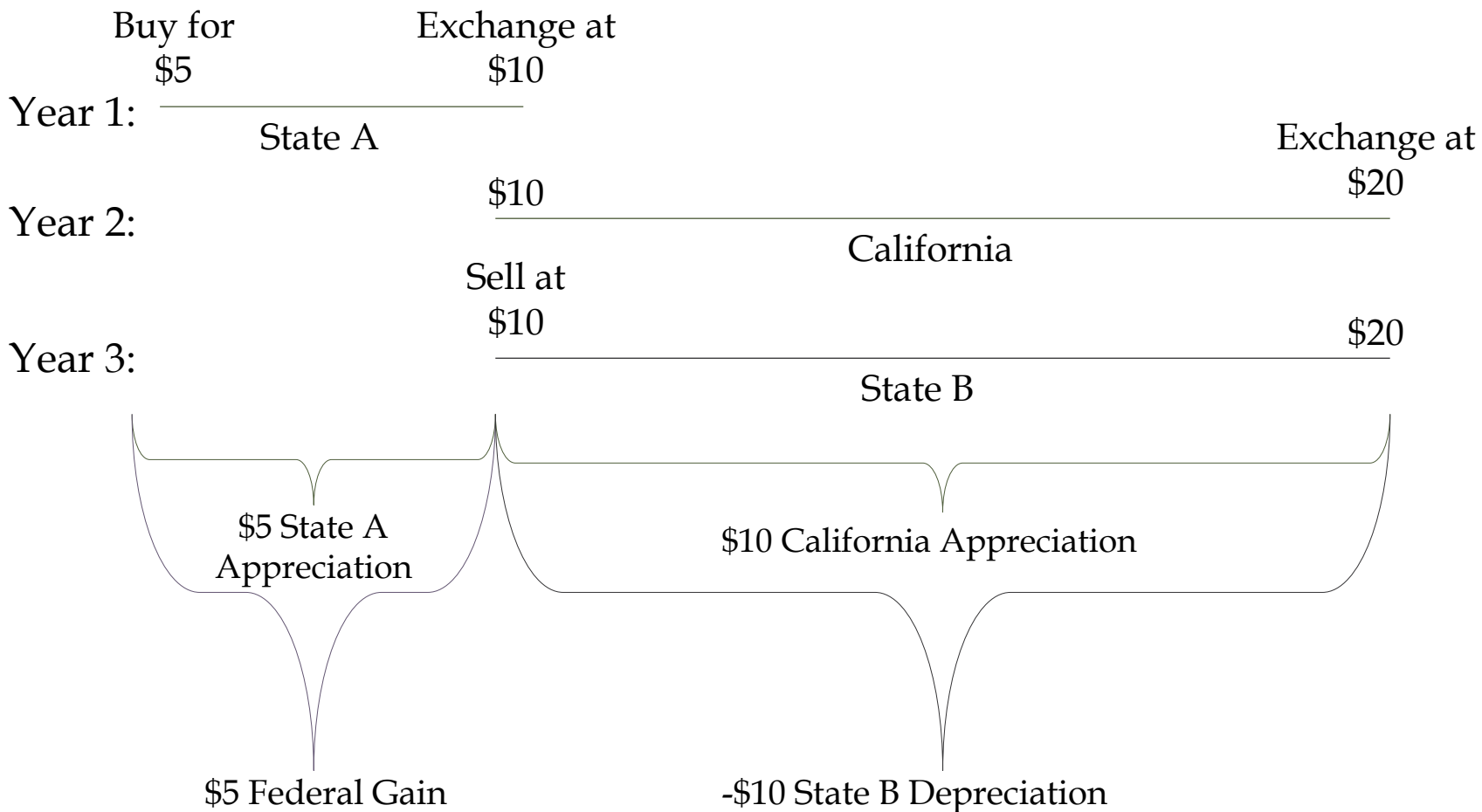
## 8. Multiple Exchanges – Loss on Sale



- How much of the \$1 federal loss (\$4 sales prices minus \$5 basis) is California source loss?
- Does TP have California source gain in the year the State C property is sold even though a federal loss is reported?

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## 9. Exchange into & back out of California - Depreciation in Value

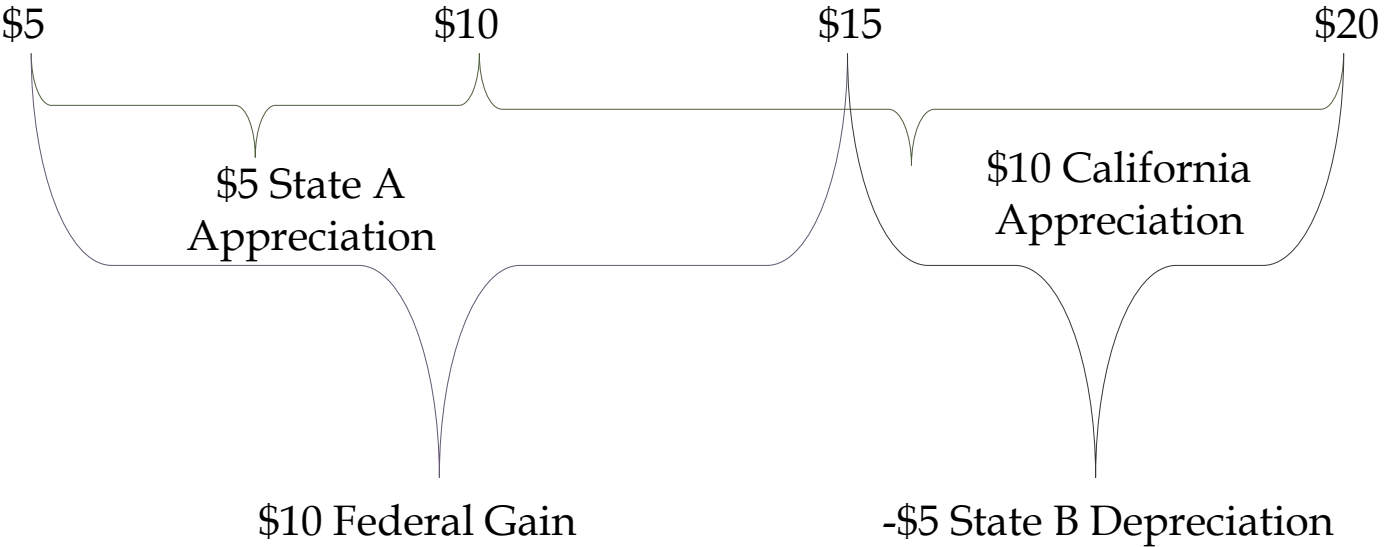


- How much of the \$5 federal gain (\$10 sales prices minus \$5 basis) is California source gain?
- Does TP have California source gain in excess of the federal gain reported in the year the State B property is sold?

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# 9. Exchange into & back out of California - Depreciation in Value - Cont'd

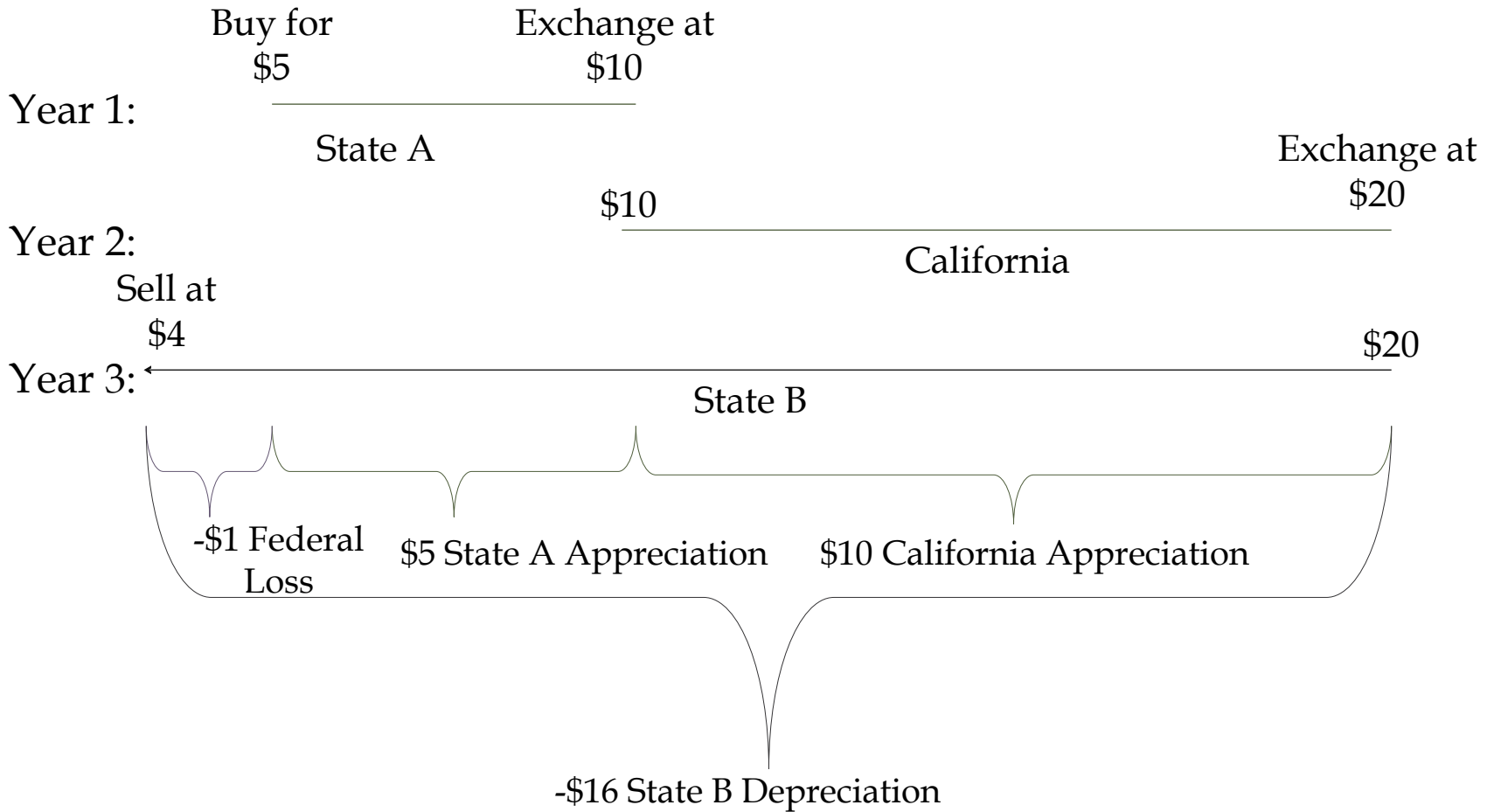
New Fact: The State B property is sold for \$15 instead of \$10.



- How much of the \$10 federal gain (\$15 sales price minus \$5 basis) is California source gain?

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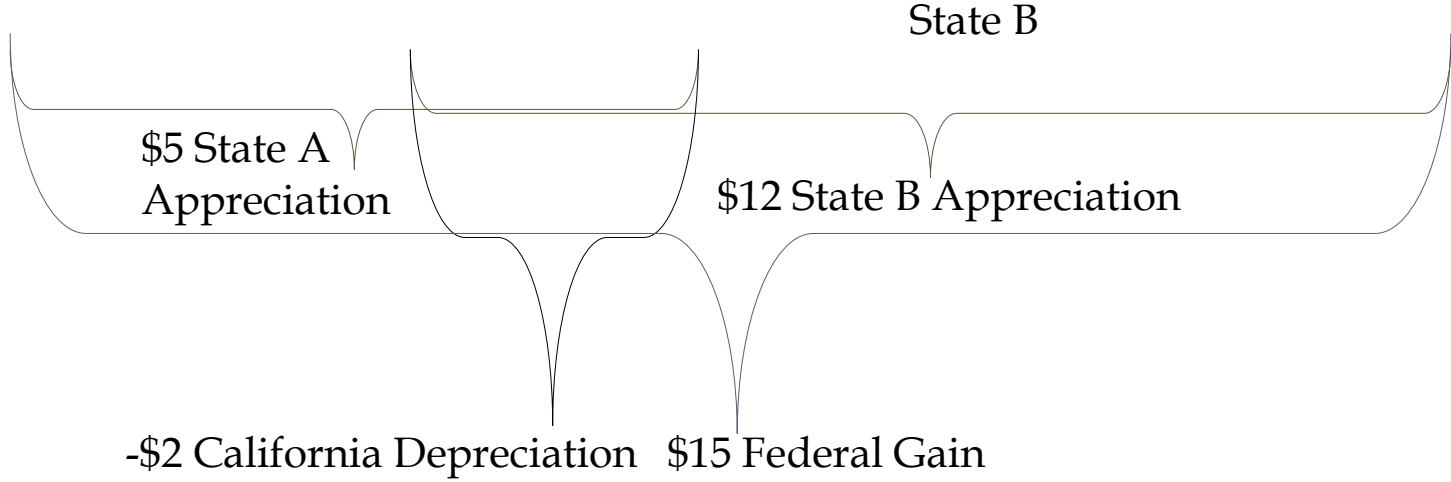
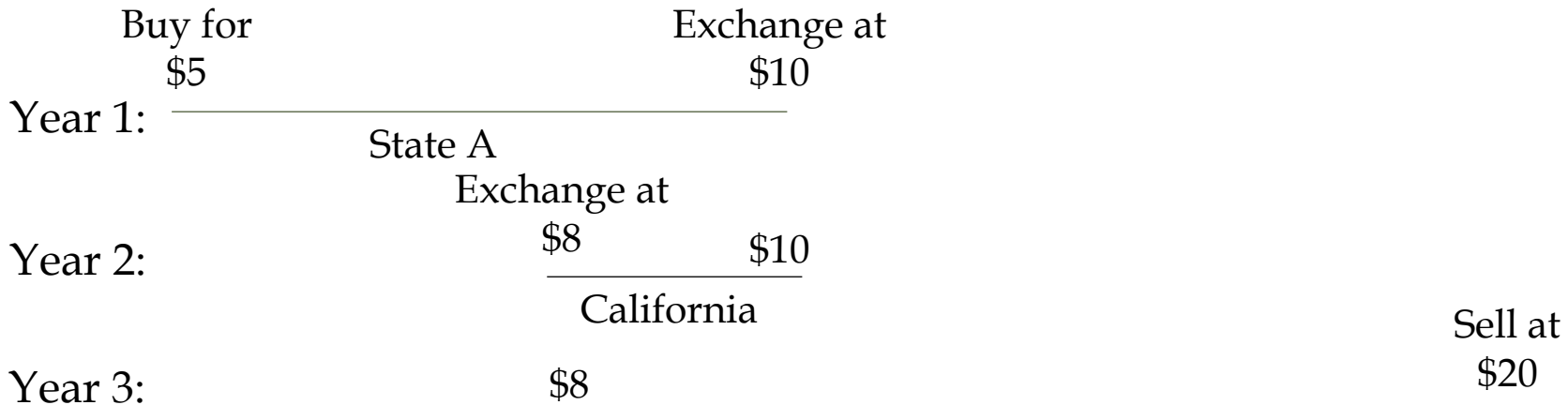
## 10. Exchange into & back out of California - Loss on Sale



- How much of the \$1 federal loss (\$4 sales price minus \$5 basis) is California source loss?
- Does TP have California source gain in the year the State B property is sold even though a federal loss is reported?

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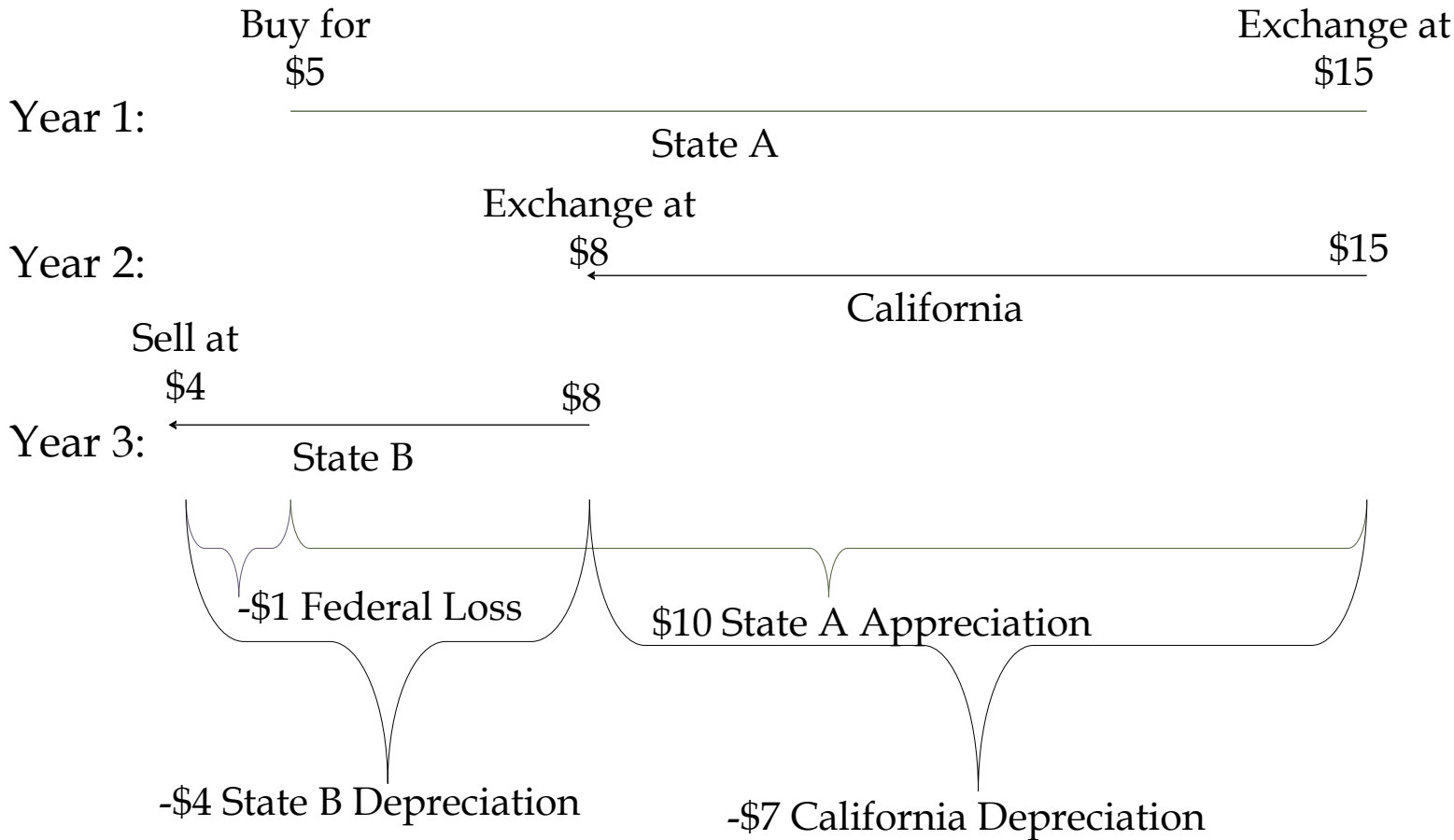
# 11. Exchange into & back out of California - California Depreciation in Value



- How much of the \$1 federal loss (\$4 sales price minus \$5 basis) is California source loss?
- Does TP have California source gain in the year the State B property is sold even though a federal loss is reported?

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## 12. Exchange into & back out of California - California Depreciation in Value & Loss on Sale



- How much of the \$1 federal loss (\$4 sales price minus \$5 basis) is California source loss?
- Does TP have California source gain in the year the State B property is sold even though a federal loss is reported?

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## 13. Apportioning Taxpayers

- Is a regulation necessary to clarify which year's apportionment rules and percentages should be applied to deferred gains/losses from 1031 exchanges?
- Scope of the Regulation?



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## **14. Other Issues?**