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WRNewswire
An AALU Washington Report

Monday, 11 September 2017

WRN 17.09.11.01

The AALU *WR Newswire* and *WR Marketplace* are published by AALU and Greenberg Traurig as part of the *Essential Wisdom Series*, the trusted source of actionable technical and marketplace knowledge for AALU members—the nation's most advanced life insurance professionals.

Taxpayer transferred his house to his parents who, in exchange, paid off his existing mortgages on the residence (approx. $664,000). The taxpayer incurred almost $17,000 in closing costs. The fair market value (**FMV**) of the house at the time was $975,000. The IRS asserted that, to calculate the taxpayer's capital gain on the transfer, his total amount realized equaled the property's full FMV (less closing costs) because the settlement company issued a Form 1099-S indicating the FMV as the Gross Proceeds from the sale. The Tax Court disagreed, holding that the taxpayer only realized approx. $647,000 from the transfer (discharged mortgages minus closing costs), since the only consideration he received from his parents was discharge of his mortgages. The transfer of the excess value of the house to his parents was a gift.

View Fiscalini v. Commissioner, T.C. Memo 2017-163.

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