

EXHIBIT 1
Example 1: Property Converted from Residential to Productive Use

	Situation A	Situation B	Situation C
Cost	\$100,000	\$100,000	\$100,000
Accumulated depreciation	(10,000)	(10,000)	(10,000)
Adjusted basis	90,000	90,000	90,000
Amount realized:			
Property	300,000	80,000	110,000
Cash	15,000	315,000	315,000
Total	315,000	395,000	425,000
Gain realized	225,000	305,000	335,000
Gain excluded	215,000	250,000	250,000
Gain not excluded	10,000	55,000	85,000
Gain recognized	0	55,000	65,000
Gain not recognized	10,000	0	20,000
Basis of property received:			
Basis of exchanged property	90,000	90,000	90,000
Gain recognized	0	55,000	65,000
Gain excluded	215,000	250,000	250,000
Boot received	(15,000)	(315,000)	(315,000)
Basis of new property	\$290,000	\$ 80,000	\$ 90,000