

EXHIBIT 2
Example 2: One Property with Two Structures

	Situation D			Situation E		
	Residence	Rental	Total	Residence	Rental	Total
Cost	\$135,000	\$45,000	\$180,000	\$135,000	\$45,000	\$180,000
Accumulated depreciation	0	(15,000)	(15,000)	0	(15,000)	(15,000)
Adjusted basis	135,000	30,000	165,000	135,000	30,000	165,000
Amount realized:						
Property	300,000	80,000	380,000	300,000	80,000	380,000
Cash	0	20,000	20,000	0	20,000	20,000
Total	300,000	100,000	400,000	300,000	100,000	400,000
Gain realized	165,000	70,000	235,000	165,000	70,000	235,000
Gain excluded	165,000	55,000	220,000	165,000	0	165,000
Gain not excluded	0	15,000	15,000	0	70,000	70,000
Gain recognized	0	0	0	0	20,000	20,000
Gain not recognized	0	15,000	15,000	0	50,000	50,000
Basis of property received:						
Basis of exchanged property	135,000	30,000	165,000	135,000	30,000	165,000
Gain recognized	0	0	0	0	20,000	20,000
Gain excluded	165,000	55,000	220,000	165,000	0	165,000
Boot received	0	(20,000)	(20,000)	0	(20,000)	(20,000)
Basis of new property	\$300,000	\$65,000	\$365,000	\$300,000	\$30,000	\$330,000