

# NINJA NOTES

## Tax Compliance & Planning 2026



### Property Taxation

(July 1, 2025 – June 30, 2026 Exams)

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# Property Taxation

## Basis of Assets

- Basis & Holding Period of Assets Purchased

	Basis	Holding Period	
Asset Purchased	The Basis of the Asset Purchased is calculated as follows:	Date of Acquisition until the Date of Sale	
	Cost of Purchase		XXX
	Add: Debt Assumed		XXX
	Add: Other Expense		XXX
	Add: Capital Improvement		XXX
	<b>Basis of Asset Purchased</b>	<b>XXX</b>	

- Basis & Holding Period of Assets Received as Inheritance

	Basis	Holding Period
Asset Received as Inheritance	FMV of the asset on the date of the original owner's death or FMV on an Alternate Valuation Date (if elected). Alternate Valuation Date is the earlier of: <ul style="list-style-type: none"> <li>• Six months after the date of death or</li> <li>• The date of distribution or sale of the asset</li> </ul>	Always Long-Term

- Basis & Holding Period of Assets Received as Gift

		Basis	Holding Period	
On Date of Gift: Basis < FMV (Built-in Gains)		Donor's Carryover Basis	Donor's Carryover Holding Period  (Donor's Holding Period + Donee's Holding Period)	
	Case 1: Sales Price > Donor's Basis > FMV at Date of Gift	Donor's Carryover Basis  Therefore, Gain would be recognized as follows: <table border="1" data-bbox="820 1858 1112 1890"> <tr> <td>Sales Price</td> </tr> </table>	Sales Price	Donor's Carryover Holding Period  (Donor's Holding Period + Donee's Holding Period)
Sales Price				

On Date of Gift: Basis > FMV (Built-in Losses)		(Donor's Basis)	
		Capital Gain	
	Case 2: Donor's Basis > Sales Price > FMV at Date of Gift	Sales Price  Therefore, No Gain or Loss would be recognized.	Donor's Carryover Holding Period  (Donor's Holding Period + Donee's Holding Period)
Case 3: Donor's Basis > FMV at Date of Gift > Sales Price	FMV at Date of Gift  Therefore, Loss would be recognized as follows:	Donee's Holding Period	
		Sales Price	
		(FMV at Date of Gift)	
		Capital Loss	

- Basis & Holding Period of Assets Converted from Personal-Use to Business-Use

	Basis	Holding Period
Asset Converted from Personal Use to Business Use	Lower of: <ul style="list-style-type: none"> <li>• Adjusted Basis of Asset</li> <li>• FMV of Asset on Date of Conversion</li> </ul>	The Holding Period begins from the date the asset was acquired for personal use.

## Capital Gains & Losses: Calculation and Treatment

- Calculation of Capital Gains and Losses: Individuals and Corporations

Proceeds	<ul style="list-style-type: none"> <li>Cash received</li> <li>Property received (FMV)</li> <li>Services received (FMV)</li> <li>Cancellation of Debt</li> <li>Selling Expenses</li> </ul>
<Adjusted Basis of Assets Sold>	
Capital Gain or Loss Realized	<ul style="list-style-type: none"> <li>Holding Period &gt; 1 Year (Long-Term Capital Gain or Loss)</li> <li>Holding Period &lt; 1 Year (Short-Term Capital Gain or Loss)</li> </ul>

- Netting Process for Capital Gains and Losses: Individuals and Corporations

- Step 1: Net Short-Term Gains and Losses together, and Long-Term Gains and Losses together

Short-Term Capital Gain
(Short-Term Capital Loss)
<b>Net Short-Term Capital Gain / (Net Short-Term Capital Loss)</b>

Long-Term Capital Gain
(Long-Term Capital Loss)
<b>Net Long-Term Capital Gain / (Net Long-Term Capital Loss)</b>

- Step 2: Net Short-Term Gains and Losses with Long-Term Gains and Losses if opposite signs or else no netting.

- If one is a net gain and the other is a net loss, net them together. This will result in either a single net Short-Term Capital Gain/Loss or a Single Net Long-Term Capital Gain/Loss.

Net Short-Term Capital Gain	(Net Short-Term Capital Loss)
(Net Long-Term Capital Loss)	Net Long-Term Capital Gain
<b>Net Short-Term Capital Gain</b>	<b>Net Short-Term Capital Loss</b>
Net Long-Term Capital Gain	(Net Long-Term Capital Loss)
(Net Short-Term Capital Loss)	Net Short-Term Capital Gain
<b>Net Long-Term Capital Gain</b>	<b>Net Long-Term Capital Loss</b>

- If both are gains or both are losses, do not net them together. In this case, you will have either:
        - Net Short-Term Capital Gain and Net Long-Term Capital Gain.
        - Net Short-Term Capital Loss and Net Long-Term Capital Loss.

- Tax Treatment of Capital Gains and Losses

- Tax Treatment of Capital Gains and Losses: Individuals

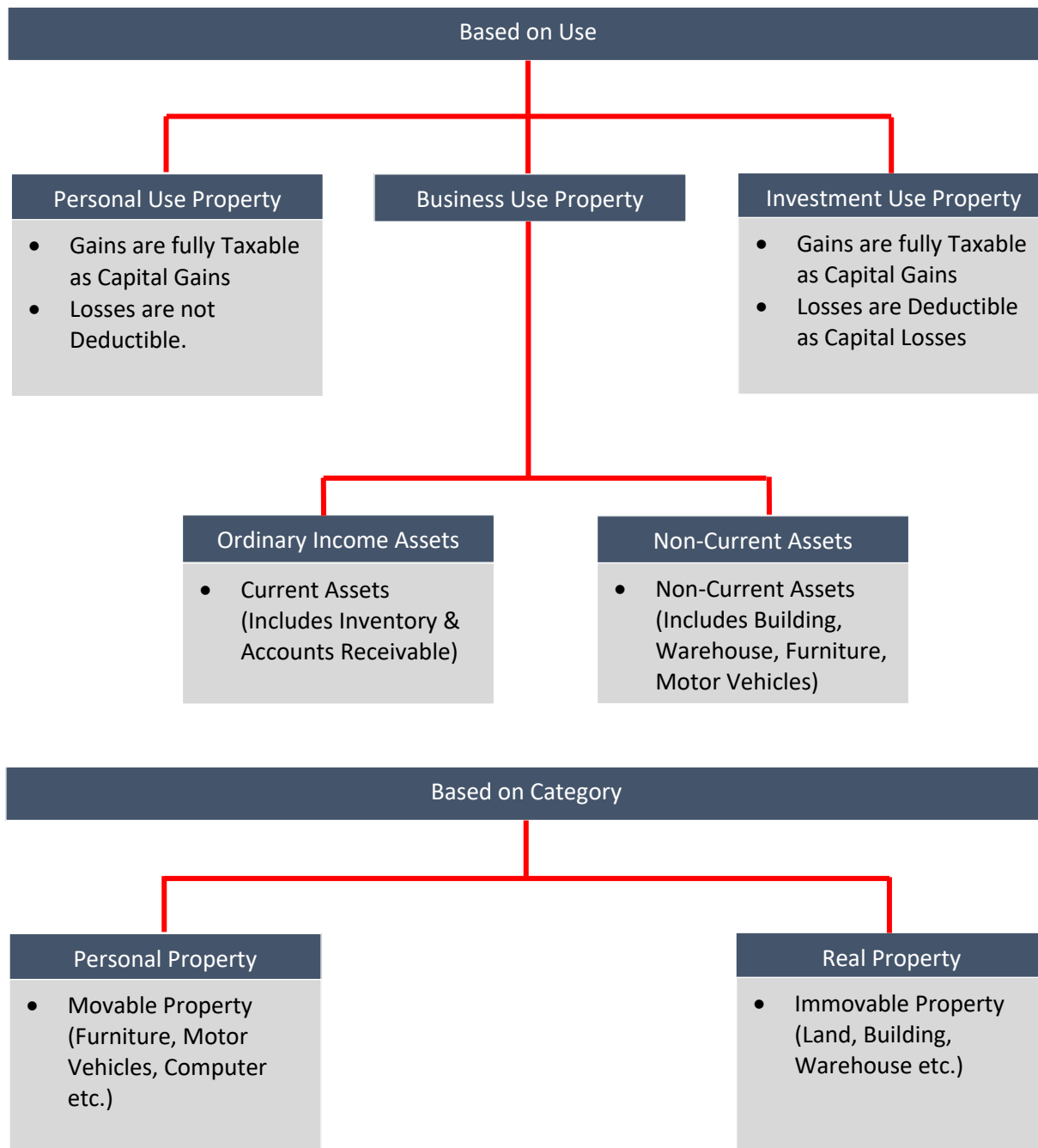
Type	Tax Treatment
Net Short-Term Capital Gain	<ul style="list-style-type: none"> <li>• Short-Term Capital Gains are taxed at ordinary income tax rates</li> </ul>
Net Short-Term Capital Loss	<ul style="list-style-type: none"> <li>• Set off Net Short-Term Capital Loss from other sources of income up to \$3,000 (MFJ &amp; Single) and \$1,500 (MFS) every year.</li> <li>• Excess carried forward indefinitely</li> </ul>
Net Long-Term Capital Gain	<ul style="list-style-type: none"> <li>• Long-Term Capital Gains are taxed at capital gain tax rates (0%, 15%, 20%)</li> </ul>

Net Long-Term Capital Loss	<ul style="list-style-type: none"> <li>• Set off Net Long-Term Capital Loss from other sources of income up to \$3,000 (MFJ &amp; Single) and \$1,500 (MFS) every year.</li> <li>• Excess carried forward indefinitely</li> </ul>
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○ Tax Treatment of Capital Gains and Losses: Corporations

Type	Tax Treatment
Net Short-Term Capital Gain	<ul style="list-style-type: none"> <li>• Short-Term Capital Gains are taxed at Ordinary Corporate Income Tax Rates</li> </ul>
Net Short-Term Capital Loss	<ul style="list-style-type: none"> <li>• Short-Term Capital Loss may be deducted only to the extent of the Capital Gain during the year.</li> <li>• Net Short-Term Capital Losses not allowed as a deduction can be carried back 3 years and carried forward 5-years.</li> </ul>
Net Long-Term Capital Gain	<ul style="list-style-type: none"> <li>• Long-Term Capital Gains are taxed at Ordinary Corporate Income Tax Rates</li> </ul>
Net Long-Term Capital Loss	<ul style="list-style-type: none"> <li>• Long-Term Capital Loss may be deducted only to the extent of the Capital Gain during the year.</li> <li>• Net Long-Term Capital Losses not allowed as a deduction can be carried back 3 years and carried forward 5 years.</li> </ul>

# Types of Property



## Capital Gain Realized but Not Recognized

Situation	Summary
Homeowners Exclusion	<ul style="list-style-type: none"> <li>Gain on the sale of a personal residence can be excluded: \$250,000 (Single) or \$500,000 (MFJ).</li> <li>Losses on the sale of personal residences are not deductible.</li> </ul>
Involuntary Conversion	<ul style="list-style-type: none"> <li>Gain from an involuntary conversion can be deferred if the property is replaced within specific time limits.</li> <li>Losses on destruction of personal property are generally not deductible.</li> </ul>
Divorce Property Settlements	<ul style="list-style-type: none"> <li>Property settlements in divorce are not taxable events.</li> </ul>
Exchange of Like-Kind Assets	<ul style="list-style-type: none"> <li>Gain or loss on the exchange of Like-Kind Real Assets held for Business use or Investment Use is not recognized. (Exception when Boot is Received).</li> <li>Does not apply to Personal property held for Business use or Investment Use and Personal Use Assets.</li> </ul>
Installment Sale	<ul style="list-style-type: none"> <li>Gain on an installment sale is reported over the period in which cash payments are received.</li> </ul>
Stock Transactions	<ul style="list-style-type: none"> <li>Gain or loss on certain stock transactions, such as stock issuances, repurchases, reissues, stock splits, and stock dividends is not recognized for tax purposes.</li> </ul>
Investment in Qualified Opportunity Funds	<ul style="list-style-type: none"> <li>Capital gains can be deferred by investing in Qualified Opportunity Funds within specific time limits. The basis in the fund is reduced by the deferred gain.</li> </ul>

## Capital Loss Realized but Not Deductible

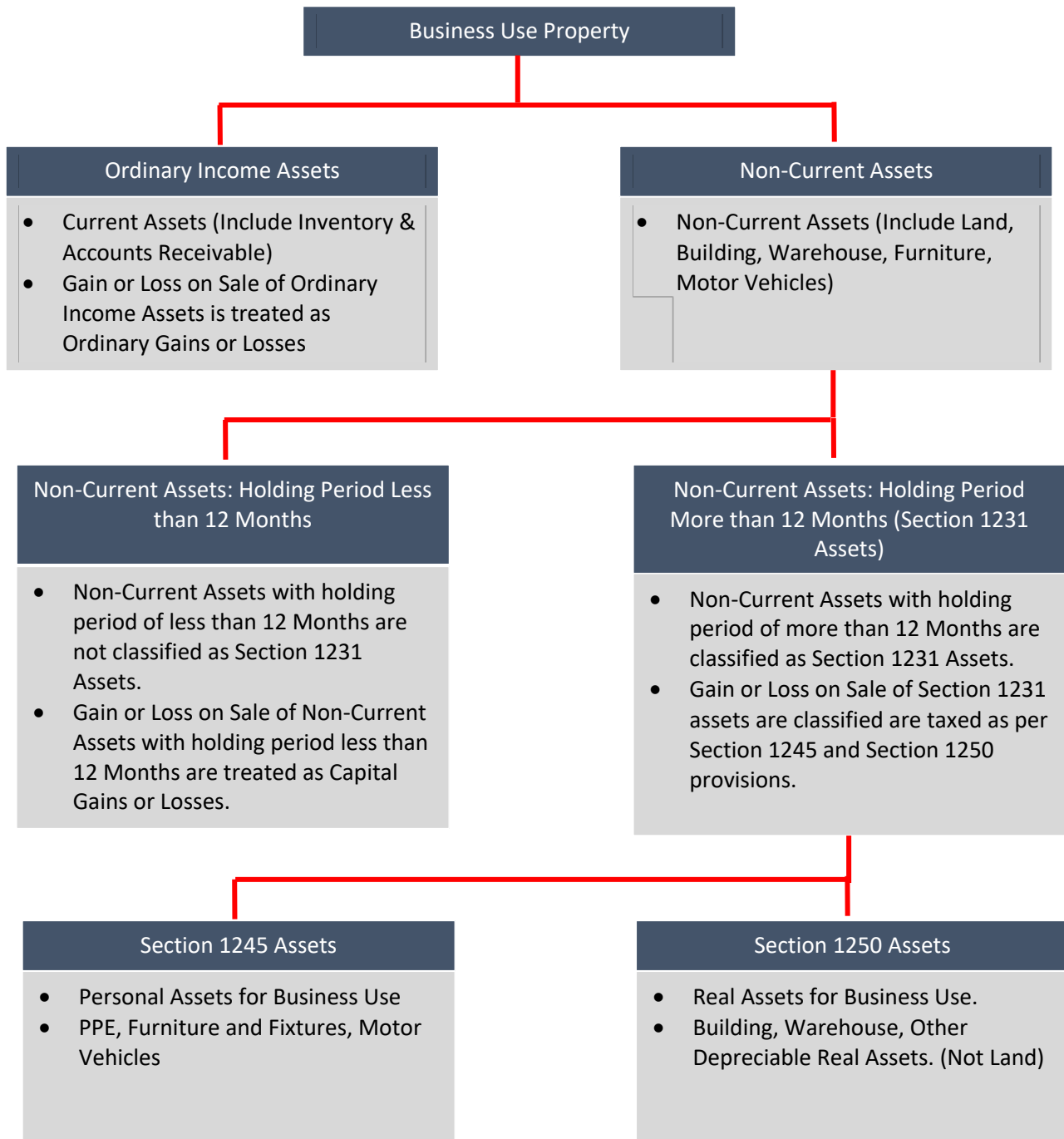
Situation	Summary
Wash Sale Losses	<ul style="list-style-type: none"> <li>Losses are disallowed and added to the basis.</li> <li>Gains are fully taxable.</li> </ul>
Loss on Sale of Personal Use Assets	<ul style="list-style-type: none"> <li>Losses are not deductible.</li> <li>Gains are fully taxable.</li> </ul>
Related Party Transactions	<ul style="list-style-type: none"> <li>Losses are not deductible but future gains are not taxable to the extent of previously unrecognized losses.</li> <li>Gains are fully taxable.</li> </ul>

# Gain or Loss on Sale of Section 1244 and Section 1202 Stocks

Situation	Summary
Section 1244 Stocks	<ul style="list-style-type: none"><li>• Gains are taxed as Capital Gain and subject to lower income tax rates.</li><li>• Loss up to \$50,000 (Single) &amp; \$100,000 (MFJ) will be treated as Ordinary Loss and the balance would be treated as Capital Losses.</li></ul>
Section 1202 Stocks	<ul style="list-style-type: none"><li>• Losses are treated as Capital Losses.</li><li>• Gains on Sale of Section 1202 stock would be excluded up to 100%</li></ul>

# Gain or Loss on Sale of Business Property

- Classification



- Calculation

	Individuals	Corporations
1245 (Depreciable Personal Property)	<p><b>Gains</b></p> <ul style="list-style-type: none"> <li>• <b>Gains up to Accumulated Depreciation:</b> Ordinary Income (Section 1245 Recapture)</li> <li>• <b>Excess Gain:</b> Capital Gain (Section 1231 Gain)</li> </ul> <p><b>Losses</b></p> <ul style="list-style-type: none"> <li>• <b>Loss:</b> Ordinary Loss (Section 1231 Loss)</li> </ul>	<p><b>Gains</b></p> <ul style="list-style-type: none"> <li>• <b>Gains up to Accumulated Depreciation:</b> Ordinary Income (Section 1245 Recapture)</li> <li>• <b>Excess Gain:</b> Capital Gain (Section 1231 Gain)</li> </ul> <p><b>Losses</b></p> <ul style="list-style-type: none"> <li>• <b>Loss:</b> Ordinary Loss (Section 1231 Loss)</li> </ul>
1250 (Depreciable Real Property)	<p><b>Gains</b></p> <ul style="list-style-type: none"> <li>• <b>Gains up to Straight-Line Depreciation:</b> Taxed at 25% (Unrecaptured Section 1250)</li> <li>• <b>Gains up to Accumulated Depreciation in excess of SLM Depreciation:</b> Ordinary Income (Section 1250 Recapture)</li> <li>• <b>Excess Gain:</b> Capital Gain (Section 1231 Gain)</li> </ul> <p><b>Losses</b></p> <ul style="list-style-type: none"> <li>• <b>Loss:</b> Ordinary Loss (Section 1231 Loss)</li> </ul>	<p><b>Gains</b></p> <ul style="list-style-type: none"> <li>• <b>Gains up to Accumulated Depreciation in excess of SLM Depreciation:</b> Ordinary Income (Section 1250 Recapture)</li> <li>• <b>20% of (1245 Ordinary Income - 1250 Ordinary Income):</b> Ordinary Income (Section 290 Recapture)</li> <li>• <b>Excess Gain:</b> Capital Gain (Section 1231 Gain)</li> </ul> <p><b>Losses</b></p> <ul style="list-style-type: none"> <li>• <b>Loss:</b> Ordinary Loss (Section 1231 Loss)</li> </ul>