

## Steven M. Vogt, CPA, EA

### **Basis**

Basis is the dollar value from which a taxpayer measures any gain or loss from an asset for income tax purposes. Generally, your basis begins with what you paid for the asset, including purchase costs (cost basis) and then is adjusted up for improvement and sales costs and down for any depreciation or casualty losses claimed on the asset during the period of ownership. As an example, a rental property is purchased for \$200,000. \$50,000 is made in improvements to the property, \$15,000 is deducted in depreciation during the period of ownership and \$12,000 is incurred in sales expenses. The basis for that property, referred to as the adjusted basis, is \$247,000 ( $\$200,000 + \$50,000 - \$15,000 + \$12,000$ ). Special rules apply in determining a taxpayer's basis in property that is acquired by gift or inheritance. For gifts, the starting basis is generally the adjusted basis of the giver; for inherited assets, the basis generally begins with the value of the property on the date of the decedent's death. Please note that the word "generally" is frequently used in this explanation since it cannot be relied upon in all situations. Please contact this office for assistance.

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