Dumont (Emerson Lead)

I Facts		Rec	Income ORD	1221-1231
1958 Prop, Plt, Equip	462745			
Less: Acc Dep	418435			
Net Book	44310			
Selling Price	75000	75000		
Gain	30690			30690
Inventory		26293	—	
Check 1			10000	
2		5000	5000	
Misc		2645		
		1384		
Total		110322		
Tax @			52%	25%
			7800	7673
1960 Sale of property		43574		43574
Writeoff of Rec	110322			
Adj -	996	(109326)	(109326)	

I

II Issues

Our position appears to be:

1. The title to the property never passed and additional depreciation in 1958-1959 & 1/2 of 1960 reduced its book value to -0- ∴ the entire proceeds are from a 1960 sale and all are capital gain. } not true

2. The receivable was valid despite the foregoing & became worthless in 1960 entitling us to write it off in that year in total.
This appears to be predicated upon the assumption that the contract of sale was converted into a claim or receivable along with the miscellaneous additions for maintenance taxes etc and the dishonored check for $5,000.

The Revenue Service position:

1. The receivable should be reduced by the selling price of the property in 1960 to reflect the true loss.

	109,326
	43,579
Write off allowable	65,747
Write off claimed	109,326
Diff	43,579
Tax @ 52%	22,661
Tax Paid on 43,579 @ 25%	10,895
Adj.:	11,766

III.

	Rec	Prop		
Rec	109326			
Prop Ret	44310			
Adj Rec =	65016			
Prop		44310		
1958 Tax on gain		7623		
1960 Adj Basis		51983		
S.P. =		43579		
Loss on Sale		⟨8404⟩		
Tax Red @ 25%		2105		
Diffn in yr of sale				4191
Tax pd		10895		
Diff		13090		
Rec claimed	109326			
Diff	44310			
Tax @ 52%	23041	13080	net adj 9961	