

## Chapter 03 Gain or Loss on Disposition of Property

- 100 The gain or loss from the sale or exchange of property is included in or deducted from gross income, unless specifically excluded by law. Property includes tangible items, such as buildings and office equipment, and intangible items, such as patents and goodwill. Generally, the gain is the excess of the amount realized over the unrecovered cost or other basis of the property sold or exchanged. The specific rules for computing the amount of gain or loss are contained in Miss. Code Ann. Section 27-7-9.
- 101 When a part of a larger property is sold, the cost or other basis of the entire property shall be equitably apportioned among the several parts, and the gain realized or loss sustained on the part of the entire property sold is the difference between the selling price and the cost or other basis allocated to such part. The sale of each part is treated as a separate transaction and the gain or loss shall be computed separately on each part. Thus, the gain or loss shall be determined at the time of sale of each part and not deferred until the disposal of the entire property.
- 102 Certain realized gains or losses on the sale or exchange of property are not included in or deducted from gross income at the time the transaction occurs. Gains or losses from such sales or exchanges are recognized as provided by statute.
- 103 Gains realized and recognized on the sale or exchange of a capital asset are treated, for Mississippi income tax purposes, as ordinary income and the total gain recognized on such sale must be included in gross income.
- 104 Tax-free exchanges of property will only be allowed when:
1. The real or personal property of both parties is located within Mississippi.
  2. The gain on the exchange is recognized under Section 1031 of the Internal Revenue Code.
- 105 When an exchange of property consists not only of property that qualifies as a tax-free exchange but also other property or money, any gain must be recognized by the recipient. A loss from this type of exchange is not recognized. The gain will not be in excess of the fair market value of the property and the amount of money received.
- 106 (Reserved)

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