



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

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The Honorable Bob Goodlatte
Member, U.S. House of Representatives
916 Main Street, Suite 300
Lynchburg, Virginia 24504

Dear Congressman Goodlatte:

I am responding to your letter of April 15, 2011, on behalf of your constituent, . He asked whether he could avoid paying capital gains taxes on the sale of commercial real estate in which he had an ownership interest. He wished to use the funds to hire new employees for his business.

Section 1 of the Internal Revenue Code imposes income tax on a taxpayer's gross income. Section 61 defines gross income as income from whatever source derived, including gains from dealings in property. When a taxpayer sells property, such as commercial real estate, the taxpayer pays tax on the amount by which the sales proceeds exceed the adjusted basis (generally cost) in the property. has stated that he sold commercial real estate at a capital gain. Therefore, he owes income tax on that gain.

I hope this information is helpful. If you have any questions, please contact me or at .

Sincerely,

Robert Casey
Acting Branch Chief, Branch 3
Office of Associate Chief Counsel
Income Tax & Accounting