A acquired a 20% interest in a partnership by contributing property. At the time of A's contribution, the property had a fair market value of $10,000, an adjusted basis to A of $4,000, and was subject to a mortgage of $2,000. Payment of the mortgage was assumed by the partnership. The basis of A's interest in the partnership is $2,400, computed as follows:

A's basis in partnership interest
- Adjusted basis of property contributed: $4,000
- Mortgage assumed by other partners ($2,000 X 80%): $1,600
- A's basis in partnership interest: $2,400

Check:
- Potential gain prior to contribution:
  - FMV of Property: $10,000
  - Less Property Basis: $4,000
  - Potential Gain: $6,000
- Potential gain after contribution:
  - FMV of P'ship Interest: $8,000
  - Less P'ship Interest Basis: $2,400
  - Relief of Debt (20% of $2K): $400
  - Potential Gain: $6,000