Davis held that the transfer of appreciated property to a spouse in exchange for the release of marital claims was a taxable event resulting in the recognition of gain or loss to the transferor. In 1984, section 1041 was enacted in part to reverse the effect of the Supreme Court's decision in Davis. Rev. Rul. 2002-22 summarized the purpose of section 1041:

Section 1041 was intended to "make the tax laws as unintrusive as possible with respect to relations between spouses" and to provide "uniform Federal income tax consequences" for transfers of property between spouses incident to divorce, "notwithstanding that the property may be subject to differing state property laws." . . . Congress thus intended that §1041 would eliminate differing federal tax treatment of property transfers and divisions between divorcing taxpayers who reside in community property states and those who reside in non-community property states.

Davis is also important in establishing the principle that the value of two properties exchanged in an arm's-length transaction is presumed to be equal. The Court stated:

Absent a readily ascertainable value it is accepted practice where property is exchanged to hold . . . that the values "of the two properties exchanged in an arms-length transaction are either equal in fact, or are presumed to be equal."

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