

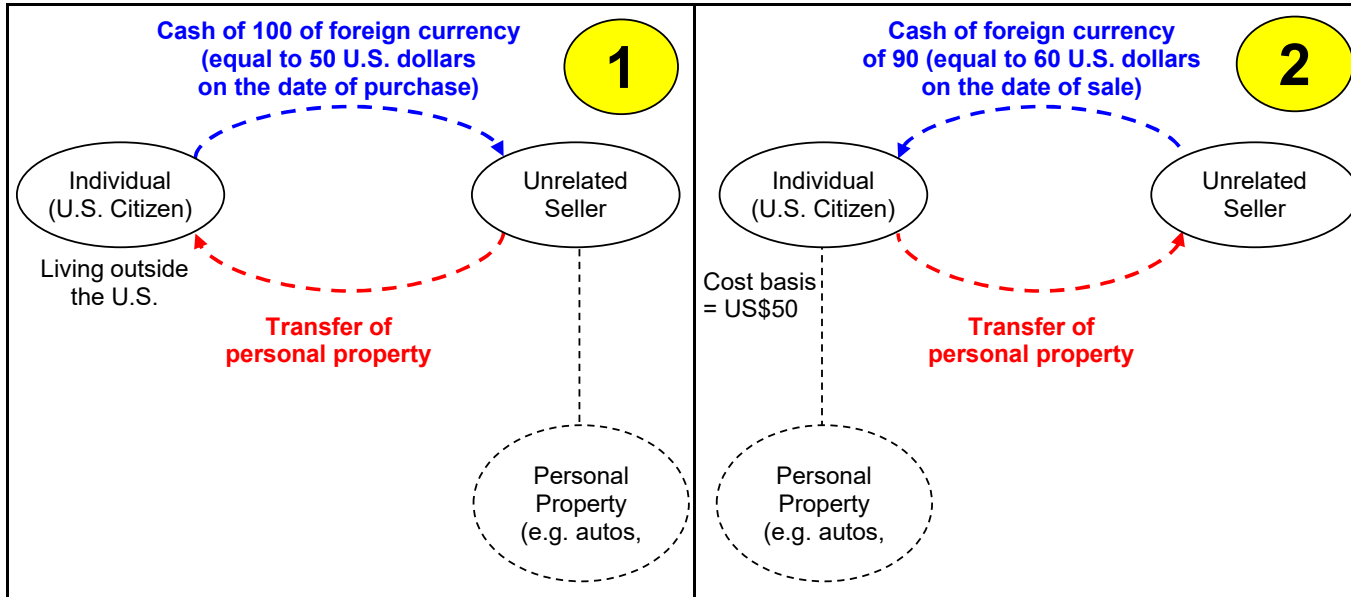
# Revenue Ruling 54-105

## Individual Purchase & Sale of Property in Foreign Currency

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### Purchase (Jan. 1, Year 1)

### Sale (Dec. 31, Year 3)



|                | US\$        | Local Currency |
|----------------|-------------|----------------|
| Sales Price    | 60          | 90             |
| Purchase Price | <u>(50)</u> | <u>(100)</u>   |
| Gain (Loss)    | <u>10</u>   | <u>(10)</u>    |

Amounts shown were not included in the revenue ruling, but have been added for illustrative purposes.

In the example, the U.S. dollar fell relative to the foreign currency. The original exchange rate was US\$1: FC2 and the later exchange rate was US\$1: FC1.5.

Gains realized on the sale of items of property, which are the personal property of the taxpayer, such as personal automobiles or television sets, in a foreign country by a United States citizen living abroad are not exempt from Federal income tax. Such gains are includible in gross income, and may result in capital gains. **For the purpose of determining the gain, the cost and selling price of the property should be expressed in American currency at the rate of exchange prevailing as of the date of the purchase and the date of the sale, respectively.** Note that if the individual were engaged in a trade or business, then different rules may apply. See Reg. 1.985-1.

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