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.