1. Stephen purchased a video game console five years ago for $500. In order to raise money for the “latest and greatest” console, Stephen sold his original console for $100. Because of advances in technology, Stephen can purchase the new console for $400. What is the tax treatment of Stephen’s sale of his console?
2. Stephen recognizes a $400 loss.
3. Stephen does not report the sale.
4. Stephen recognizes a $300 loss.
5. Stephen recognizes a $100 gain.
6. Incorrect. Gains and losses on the sale of nonbusiness personal property, such as a video game console, are calculated as the difference between the original cost and the sales price. In general, although gains are taxable, losses are not deductible. Stephen incurred a $400 loss, which is not deductible and, as a result, Stephen will not report the sale.
7. **Correct!** Gains and losses on the sale of nonbusiness personal property, such as a video game console, are calculated as the difference between the original cost and the sales price. In general, although gains are taxable, losses are not deductible. Stephen incurred a $400 loss, which is not deductible and, as a result, Stephen will not report the sale.
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10. Which of the following is excluded from gross income on an individual’s 2016 tax return?
    1. January 2018 rent received in December 2017
    2. Value arising from personal use of company vehicle in 2017
    3. Dividends announced by a C corporation in December 2016 and received in January 2017
    4. Refundable security deposit received in January 2017 for a lease ending in July 2018
11. Incorrect. A refundable security deposit is not deductible at the time it is paid and is not taxable when it is received at the termination of a lease. Rent received in advance is taxable in the period received, not the period to which it applies, making the January 2018 rent taxable in 2017.
12. Incorrect. A refundable security deposit is not deductible at the time it is paid and is not taxable when it is received at the termination of a lease. Noncash compensation received from an employer, other than normal employee discounts are taxable to an employee, including the value arising from the use of a company vehicle or other company assets.
13. Incorrect. A refundable security deposit is not deductible at the time it is paid and is not taxable when it is received at the termination of a lease. Dividends are taxable in the period received, 2017, not the period in which they are declared.
14. **Correct!** A refundable security deposit is not deductible at the time it is paid and is not taxable when it is received at the termination of a lease. Rent received in advance is taxable in the period received, not the period to which it applies, making the January 2018 rent taxable in 2017. Noncash compensation received from an employer, other than normal employee discounts are taxable to an employee, including the value arising from the use of a company vehicle or other company assets. Dividends are taxable in the period received, 2017, not the period in which they are declared.