

Capital Gains & Losses

What are Capital Gains & Losses?

- Amount made or lost on the sale of:
 - Stocks
 - Bonds
 - Mutual Funds
 - Homes
 - Other Assets

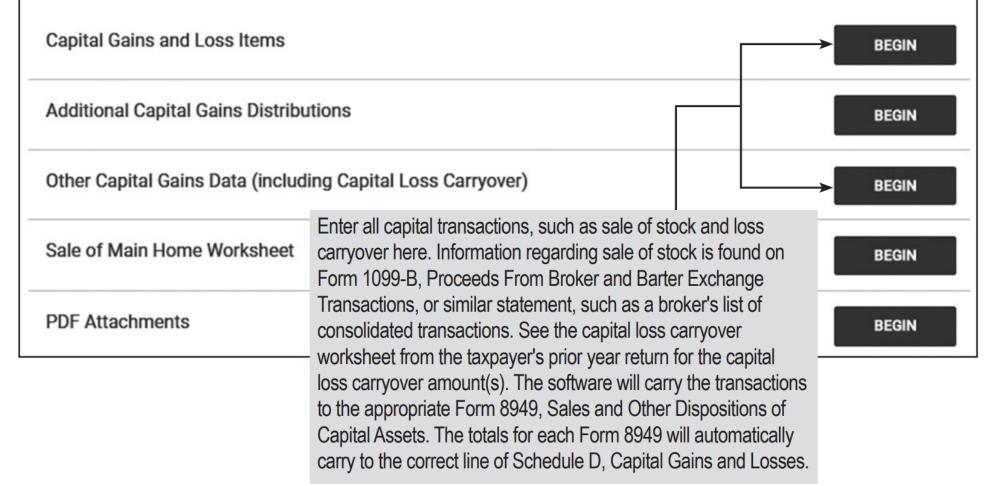




Capital Gains and Losses

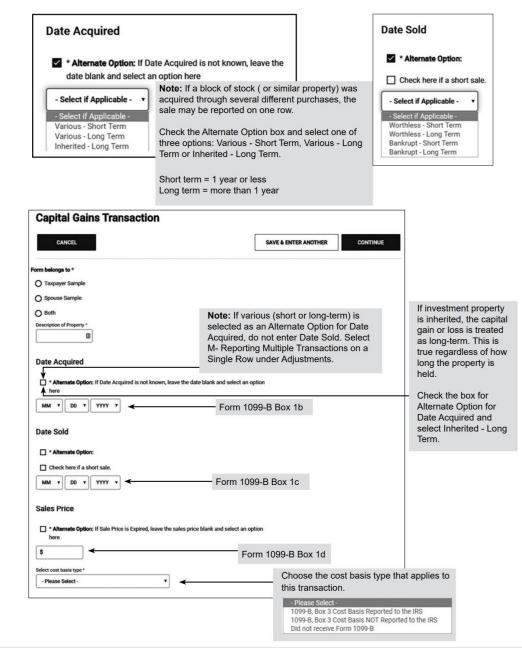
- Capital gains in the form of stocks, bonds and mutual fund sales are reported on 1099-B
- Capital gain distributions can also be reported on a 1099-DIV
- The stocks, bonds, and mutual fund sales will be entered on Schedule D and forms 8949
- Capital gain distribution are entered on Schedule D only
- If there are not many transactions from 1099-B enter each of them individually
- If there are many you can enter the totals by category and attach the 1099-B to the return
 - Short term transactions with basis reported to the IRS
 - Short term transactions with basis not reported to the IRS
 - Long term transactions with basis reported to the IRS
 - Long term transactions with basis not reported to the IRS

Schedule D Capital Gains

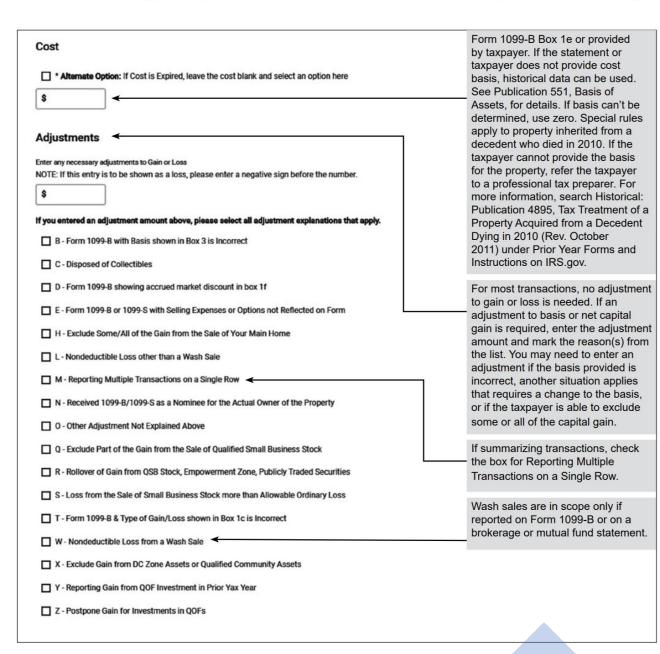




If you check the box for Alternate Option for Date Acquired or Date Sold, a pick list will appear. Choose the correct option for the transaction.



Entering Capital Gains and Losses (continued)





Capital Gains & Losses

- To determine the gain or loss take the sales proceeds minus the basis
- Basis=cost of purchasing the stock plus commissions plus adjustment for stock splits and dividends
 - This is generally reported on the 1099-B
 - If not the client needs to calculate this or have them ask their broker
 - If the basis is not know it is assumed to be zero
- Losses cannot exceed \$3,000
- If the losses are greater than that they will be carried over to the following years
- Need to ask the client if they had capital gain losses in the prior year if to see if we need to input the carryover

Sale of Homes

- Reported on 1099-S
- Need to report the gain on the Sale of the Home unless they meet the exclusion
- The gain is the Sale price minus the original cost of the home plus cost of improvements
- Can exclude from reporting the gain on the sale if the gain is less than:
 - \$250,000 Single, Married Filing Separate, Head of Household
 - \$500,000 Married Filing Joint, Surviving Spouse
 - And if owned home more than two years
 - And if did not claim the exclusion on the sale of another home in the past two years

Sale of Home

Info about your home

How many days in the last 5 years was the home your main home?



How many days in the last 5 years did you own your home?



How many days in the last 5 years was the home your spouse's main home?

How many days in the last 5 years did your spouse own your home?



Check here if you received the First-time Homebuyers Credit AND you received the credit in 2008 OR you did NOT meet the minimum ownership requirements to exclude repayment of the credit.



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Check here if you qualify for the Maximum Exclusion or the Reduced Maximum Exclusion.

CANCEL	CONTINUE
Basic Info about the Sale	
Date of purchase *	
Purchase price *	
\$ 1	
Date of sale *	
Sale price *	
\$	
Allowable Depreciation related to the business use or rental of the h	home
\$	
Depreciation taken after 05/06/1997	

Sale of Home

Adjustments	
	NTINUE
Fees you may have paid when you bought your home Legal fees \$ Surveys \$ Title Insurance \$ Fees that the seller owed that you agreed to pay \$ Other fees \$	 The closing disclosure or HUD-1 Settlement Statement will give details about closing costs. If the sale must be reported and results in a gain, it will be listed on the appropriate Form 8949 (basis type C or F). The gain will be included with the other capital gains and losses on Schedule D. Enter the fees from the purchase of the home that weren't included in the purchase price already entered.

General Adjustments

Selling exper	ises
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Cost of additions and	improvements that	you made to	your home

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Tax assessments that you paid for sidewalks, streets, and other local improvements

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Other increases to your basis

\$				
 _	_	_	_	_

Decreases to your basis



- Enter the selling expenses, cost of improvements and other increases or decreases to the basis of the home. See Publication 523, Selling Your Home, for more information about basis.- Additions or Improvements to a home having a useful life of more than one year increase the basis. Repairs that maintain the home in good condition are not considered improvements and do not increase the basis.
- This will calculate the adjusted basis of the home, which will be shown on Form 8949.
- The information will carry to Form 8949 and
- Schedule D.
- If you've checked the box to exclude the entire gain, Form 8949 will show the adjustment as a negative number in the amount of the net gain, with adjustment code H and basis type F and no net gain/loss.

Out of Scope

- Sale of assets other than stocks, bonds, mutual funds and homes
- Sale of cryptocurrency not on a 1099
- Sale of stock options, commodities and futures
- Like kind exchanges
- If there are basis issues that the taxpayer can't figure out
- Sale of homes used a rentals

Resources

• Schedule D

- <u>https://www.irs.gov/pub/irs-pdf/f1040sd.pdf</u>
- https://www.irs.gov/pub/irs-pdf/i1040sd.pdf
- Form 8949
 - https://www.irs.gov/pub/irs-pdf/f8949.pdf
 - <u>https://www.irs.gov/pub/irs-dft/i8949--dft.pdf</u>
- Pub 4491
 - https://www.irs.gov/pub/irs-pdf/p4491.pdf
- Pub 523 Selling your Home
 - <u>https://www.irs.gov/pub/irs-dft/p523--dft.pdf</u>
- Pub 544 Sales and Other Dispositions of Assets
 - https://www.irs.gov/pub/irs-pdf/p544.pdf
- Pub 550 Investment Income and Expenses (including Capital Gains and Losses)
 - <u>https://www.irs.gov/pub/irs-pdf/p550.pdf</u>
- Pub 551 Basis of Assets
 - https://www.irs.gov/pub/irs-pdf/p551.pdf



Questions?