

Income – Capital Gain or Loss

Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2		1			
	2a	Tax-exempt interest	2a	b	Taxable interest	2b	
	3a	Qualified dividends	3a	b	Ordinary dividends	3b	
	4a	IRA distributions	4a	b	Taxable amount	4b	
	5a	Pensions and annuities	5a	b	Taxable amount	5b	
	6a	Social security benefits	6a	b	Taxable amount	6b	
Standard Deduction for— <ul style="list-style-type: none"> • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under <i>Standard Deduction</i>, see instructions. 	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		7			
	8	Other income from Schedule 1, line 9		8			
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income		9			
	10	Adjustments to income:					
	a	From Schedule 1, line 22	10a				
	b	Charitable contributions if you take the standard deduction. See instructions	10b				
	c	Add lines 10a and 10b. These are your total adjustments to income	10c				
	11	Subtract line 10c from line 9. This is your adjusted gross income		11			
	12	Standard deduction or itemized deductions (from Schedule A)		12			
	13	Qualified business income deduction. Attach Form 8995 or Form 8995-A		13			
14	Add lines 12 and 13		14				
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-		15				

About Capital Gain or Loss

- Additional resources listed in L< “References” tab
- Review all tips and cautions in the lesson
- Read all examples and sample interviews
- We will review answers to each exercise

SCHEDULE D
(Form 1065)

Department of the Treasury
Internal Revenue Service

Name of partnership

Capital Gains and Losses

▶ Attach to Form 1065 or Form 8865.

▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

▶ Go to www.irs.gov/Form1065 for instructions and the latest information.

OMB No. 1545-0123

2021

Employer identification number

Did the part
If “Yes,” att

Part I

See instructi
lines below.

This form m
whole dollar

1a Totals
1099-E
which
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Form **8949**

Department of the Treasury
Internal Revenue Service

Name(s) shown on return

Sales and Other Dispositions of Capital Assets

▶ Go to www.irs.gov/Form8949 for instructions and the latest information.

▶ File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.

OMB No. 1545-0074

2021

Attachment
Sequence No. 12A

Social security number or taxpayer identification number

Before you check Box A, B, or C below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

Part I **Short-Term.** Transactions involving capital assets you held 1 year or less are generally short-term (see instructions). For long-term transactions, see page 2.

Objectives – Capital Gain or Loss

- Determine the adjusted basis of capital assets
- Determine if the asset's holding period is long-term or short-term
- Calculate the taxable gain or deductible loss from the sale of capital assets
- Determine whether a home is the taxpayer's main home
- Determine if a taxpayer meets the ownership and use tests
- Determine when the 5-year ownership/use test period is suspended
- Time Required: 30 minutes

Topics



Reporting capital gain or loss

- Basis of Stock
- Holding period
- Proceeds from the sale
- Form 8949 and Schedule D
- Capital loss carryovers

Sale of main home

- Main home
- Ownership and use tests
- Gain on sale of main home
- Reporting gain from sale of home
- 5-year test period suspension

Key Terms

Definitions are always available in the L< online Glossary.

- Adjusted Basis
- Amount Realized
- Basis
- Capital Gain Distributions
- Capital Loss Carryover
- Dividends
- DRIP Accounts
- Excludable Income
- First-time Homebuyer Credit
- Five-year Test Period Suspension
- Holding Period
- Main Home
- Mutual Fund
- Qualified Principal Residence Indebtedness
- Sale of Main Home
- Selling Price
- Stock Dividends
- Stock Split
- Wash Sale

Reporting Capital Gain or Loss

- What forms are used for reporting capital gains and losses?
 - Schedule D and Form 8949
- What is cost basis?
 - Original purchase cost
- What is the holding period?
 - Time between the date of purchase and date of sale
- What is sales price?
 - Proceeds of sale of asset, gross or net, reported on Form 1099-B
 - If there is no Form 1099-B, taxpayer must provide this information

Basis of Stock

- Basis is usually the original purchase price of an asset.
- What is adjusted basis?
 - Price/cost plus commissions or fees paid at time of purchase
- If Form 1099-B does not provide the basis, taxpayers must provide this information.
- If taxpayers received property as a gift or inheritance, and do not know the basis, refer them to a professional tax preparer.

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Applicable checkbox on Form 8949	OMB No. 1545-0715 2021 Form 1099-B	Proceeds From Broker and Barter Exchange Transactions
1a Description of property (Example: 100 sh. XYZ Co.)				
PAYER'S TIN		1b Date acquired	1c Date sold or disposed	Copy B For Recipient
RECIPIENT'S TIN	1d Proceeds \$	1e Cost or other basis \$		
RECIPIENT'S name	1f Accrued market discount \$	1g Wash sale loss disallowed \$		
		2 Short-term gain or loss <input type="checkbox"/> Long-term gain or loss <input type="checkbox"/> Ordinary <input type="checkbox"/>	3 If checked, proceeds from: Collectibles <input type="checkbox"/> QOF <input type="checkbox"/>	

This is important tax

Holding Period

- What is a short-term holding period?
 - 1 year or less
 - Taxed at regular income tax rates
- What is long term?
 - More than 1 year
 - Taxed at a lower rate than short-term
- Mutual fund shares are generally acquired at various times, in various quantities, and at various prices; figuring the basis can be difficult. Refer to [Pub 550](#) for information on how to report the sale or exchange of mutual fund shares
- Blocks of stock may have differing holding periods and bases. Unless specified at the time of sale, blocks/shares are sold using FIFO method (first in, first out)

Proceeds from the Sale

- Brokers report information about sale of stock on Form 1099-B
 - Entries in boxes 8 through 13 are out of scope
- Unless securities sold were noncovered securities, brokers must report:
 - Cost or other basis
 - Whether gain/loss is short-term or long-term

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Applicable checkbox on Form 8949	OMB No. 1545-0715 2021 Form 1099-B	Proceeds From Broker and Barter Exchange Transactions
		1a Description of property (Example: 100 sh. XYZ Co.)		
		1b Date acquired	1c Date sold or disposed	Copy B For Recipient
PAYER'S TIN	RECIPIENT'S TIN	1d Proceeds \$	1e Cost or other basis \$	
		1f Accrued market discount \$	1g Wash sale loss disallowed \$	
RECIPIENT'S name		2 Short-term gain or loss <input type="checkbox"/> Long-term gain or loss <input type="checkbox"/> Ordinary <input type="checkbox"/>	3 If checked, proceeds from: Collectibles <input type="checkbox"/> QOF <input type="checkbox"/>	
Street address (including apt. no.)		4 Federal income tax withheld \$	5 If checked, noncovered security <input type="checkbox"/>	This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other
City or town, state or province, country, and ZIP or foreign postal code		6 Reported to IRS: Gross proceeds <input type="checkbox"/> Net proceeds <input type="checkbox"/>	7 If checked, loss is not allowed based on amount in 1d <input type="checkbox"/>	

Proceeds from the Sale

- TaxSlayer Schedule D, Capital Gain or Loss screen determines short or long term gain, and calculates gain or loss, tax liability, and capital loss carryovers.
- Stock sales and other distributions may be reported by brokers on a 1099 Consolidated Statement or Substitute 1099.
 - Review the sample in the L< Lesson

TheIma Emerson 123 Any Street Your City, State Zip Account Number: 1234-567-9012 SSN: XXX-XX-XXXX		ABC Investments 456 Main Street Your City, State Zip Phone (XXX) XXX-XXXX FEIN: XX-XXXXXXX		2021 12-31-2021	
Substitute 1099-B Date of Sale <u>Box 1b</u>		Stocks, Bonds-Sales price (less commission) <u>Box 1d</u>	Description <u>Box 1a</u>	Federal Income Tax Withheld <u>Box 4</u>	Noncovered Security Stocks Sold in 2019 <u>Box 5</u>
2-23-2021	\$ 2,100.00	20 shares Tractor Company	\$ 0.00	<input checked="" type="checkbox"/>	
6-1-2021	\$ 900.00	100 shares Car Company	\$ 0.00	<input checked="" type="checkbox"/>	
6-22-2021	\$14,000.00	500 shares Couch Company	\$ 0.00	<input checked="" type="checkbox"/>	
7-5-2021	\$ 2,000.00	25 shares Technology Company	\$ 0.00	<input checked="" type="checkbox"/>	

Form 8949 and Schedule D

- Use [Form 8949](#) for reporting details of capital gain or loss transactions.
 - Short-term transactions go on Form 8949, page 1.
 - Long-term transactions go on Form 8949, page 2.
 - See Pub 4012, Tab D, Income, [Adjustments to Basis](#) for details.
 - Form(s) 8949 subtotals transfer to [Schedule D](#) in aggregate.
- Enter data in the TaxSlayer Schedule C Capital Gain or Loss screen, which automatically transfers to Form 8949 and Schedule D.
 - If data from source documents (Forms 1099-B and 1099-DIV) is entered properly, amounts will be reported in the appropriate places

Capital Loss Carryovers

- What is the most net capital loss a taxpayer can take in a single year?
 - \$3,000 (\$1,500 for Married Filing Separately)
- Unused losses can be carried over to later years until gone
- Previous year return is needed to figure capital loss carryover. Use:
 - [Capital Loss Carryover Worksheet](#) from Schedule D instructions, and/or
 - If the loss is over the limit, the tax software reports the maximum allowable deduction. The remainder can be carried over.

Sale of Main Home

- Taxpayers may be able to exclude from taxable income the gain from sale of a main home.
 - Up to a maximum of \$250,000 (\$500,000 for Married Filing Jointly)
- Volunteers need to confirm the home sold was the taxpayer's main home, and the taxpayer meets the ownership and use tests.
- For help in making this determination, see [Pub 523](#).

The screenshot shows a form titled "Sale of Home" with a left-pointing arrow. The form is divided into sections for "Basic Info about the Sale". It includes fields for "Date of purchase*" (MM, DD, YYYY), "Purchase price*" (\$), "Date of sale*" (MM, DD, YYYY), and "Sale price*" (\$). Below these are two sections for depreciation: "Allowable Depreciation related to the business use or rental of the home" and "Depreciation taken after 05/06/1997", both with a button labeled "Out of scope". A callout box on the right contains the text: "If the taxpayer is required to report the sale and it results in a gain, enter the purchase date, sale date, purchase price, and sales price in the Sale of Home Worksheet (you will enter capital improvements and other adjustments to basis on the next screen)."

Ownership and Use Tests

During the five-year period ending on the date of the sale, the taxpayer must have:

- Owned the home for at least two years (the ownership test), and
- Lived in the home as his or her main home for at least two years (the use test)
- In addition, during the two-year period ending on the date of the sale, the taxpayer must *not* have claimed an exclusion on a gain from the sale of another home.
- See the L< lesson for details on period of ownership and use

Gain on Sale of Home

- Figuring the gain or loss on the sale of a home is based on:
 - Selling price
 - Amount realized
 - Basis
 - Adjusted basis
- See the worksheet examples in Pub 523
 - [Adjusted Basis of Home Sold](#)
- Remember – loss on the sale of a personal residence is not deductible.

Reporting Gain from the Sale of Home

- Gain must be reported when
 - Amount is greater than the allowed exclusion
 - Home is *not* the taxpayer's main home
- If taxpayer received [Form 1099-S](#) for their gain or loss on the sale of a main home, it must be reported on Form 8949 and Schedule D

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see <i>Column (e)</i> in the separate instructions	If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
					(f) Code(s) from instructions	(g) Amount of adjustment	
Main Home - Section 121 Exclusion	9/3/2009	7/7/2019	789,000	226,000	B	-500,000	63,000
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b .							
8b Totals for all transactions reported on Form(s) 8949 with Box D checked							
9 Totals for all transactions reported on Form(s) 8949 with Box E checked							
10 Totals for all transactions reported on Form(s) 8949 with Box F checked.				789,000	226,000	(500,000)	63,000

5-Year Test Period Suspension

- 5-Year ownership and use period may be suspended during any period of “qualified official extended duty” for a taxpayer who is:
 - Member of uniformed services or Foreign Service of the U.S.
 - Intelligence community employee
 - Employee or volunteer of the Peace Corps
- Qualified official extended duty:
 - Serve at a duty station at least 50 miles from their main home, or
 - Live in government quarters under government order
 - Called to active duty for more than 90 days or an indefinite period

Out of Scope for this Lesson:

- Taxpayers who have sold any assets other than stock, mutual funds, or a personal residence
- Taxpayers who trade in options, futures, or other commodities, whether or not they disposed of any during the year
- Taxpayers who must answer "Yes" to the digital asset (virtual currency) question on Form 1040
- Determination of basis issues:
 - Basis of any asset acquired other than by purchase or inheritance, such as a gift or employee stock option, unless the taxpayer provides the basis and holding period
 - Basis of inherited property determined by method other than the fair market value (FMV) of the property on the date of the decedent's death, unless the taxpayer provides the basis and holding period
- Like-kind exchanges and worthless securities
- Form 1099-B, boxes on Bartering: Profit or (loss) realized on closed contracts; Unrealized profit (loss) on open contracts – prior year; Unrealized profit or (loss) on open contracts – current year; or Aggregate profit (loss) on contracts; Proceeds from collectibles; or FATCA filing requirement
- Reduced exclusion computations/determinations in the sale of a home
- Married homeowners who do not meet all requirements to claim the maximum exclusion on sale of home
- Decreases to basis, including:
 - Deductible casualty losses and gains a taxpayer postponed from the sale of a previous home before May 7, 1997
 - Depreciation during the time the home was used for business purposes or as rental property
- Taxpayers with “nonqualified use” issues
- Sale of a home used for business purposes or as rental property

Summary – Capital Gains and Losses

- In this lesson, you learned how to identify an asset's holding period, adjusted basis, net short-term and long-term capital gains or losses, the taxable gain or deductible loss, and the amount of capital loss carryover.
- Taxpayers must use Form 8949 and Schedule D to report capital gains and losses.
- Completion of Form 8949 and Schedule D requires information from Form 1099-B and Form 1099-DIV or a 1099 Consolidated Statement and from taxpayer records.
- Information from a taxpayer's prior year return is needed to compute a loss carryover amount.

Summary – Sale of a Main Home

- This lesson covered how to report the sale of a taxpayer's principal residence.
- To exclude gain from sale of a home:
 - The home sold was taxpayer's main home (place the taxpayer lived most of the time)
 - Owned the home for at least two years (the ownership test), and
 - Lived in the home as their main home for at least two years (the use test)
 - The required two years of ownership/use need not be continuous
 - Taxpayer did not exclude gain in the two years before the current sale of the home
- 5-Year test period can be suspended for taxpayers serving on qualified official extended duty.