

Volunteer Tax Alert 2012- 01 **February 14, 2012**

Form 8949, Sales and Other Dispositions of Capital Assets

Capital Gains and Losses

For 2012, Capital gains and losses are no longer directly reported on Schedule D (Form 1040).

General rule: Report all Capital gain and loss transactions on Form 8949. The totals from this form are transferred to the Schedule D. Additionally, the IRS requires a separate Form 8949 for each of the three different types of short-term and/or long-term transactions, which could result in as many as six Forms 8949 on a single tax return.

How to Report Capital Gains and Losses on Form 8949: On TaxWise®, the information on Form 8949 is calculated from the Capital Gain or Loss (G/L) Transactions Worksheet.

Capital Gain/Loss Transaction Worksheet: You can link to this worksheet from Form 8949 by pressing F9 from any entry on Form 8949, page 1, line 1 or Form 8949, page 2, line 3.

Enter **all** Schedule D transactions on this worksheet, both short-term and long-term. **DO NOT list any of these calculated transaction entries directly on either Schedule D or Form 8949.**

US Schedule D		Capital Gain or Loss Transactions Worksheet								2011	
1099 column: Enter "A" if Form 1099-B, box 3, shows the basis, enter "B" if Form 1099-B, box does not show the basis, or "C" if Form 1099-B was not received for the transaction.											
* Check if 28% rate gain or (loss).											
(a) Description of property	1 0 9 9	T S J	*	(b) Code	(c) Date acquired	(d) Date sold	(e) Sales price	(f) Cost or other basis	(g) Adjustments to gain or loss	(h) Gain or loss	S / L

- **(a) Property Description:** List the property of each transaction.
- **Column "1099":** Enter one of the following transaction codes:
 1. A = Form 1099-B, box 3, shows basis
 2. B = Form 1099-B, box 3, does not show basis
 3. C = If Form 1099-B not received or if box A or B is not applicable (such as sale of a home)
- **Column "T S J" = Taxpayer, Spouse, Joint**
- **Column with (*): 28% rate for gain or loss transaction** for Collectibles and Qualified Small Business (QSB) stock may be out of scope for VITA/TCE programs. Contact site coordinator for more information.
- **(b) Code:** Is for a code that indicates adjustments to gain or loss, such as an exclusion of gain on main home or a non-deductible loss on a main home, etc. This column is only required if an adjustment is needed in column (g).
- **(c) Date acquired:** Enter the date acquired.
- **(d) Date sold:** Use the trade date for stocks and bonds traded on an exchange or over-the-counter market.
- **(e) Sales Price:** List the sales price using Form 1099-B (if available).
- **(f) Cost or other basis:** Use Form 1099-B (if available) to list cost or other basis. Assisting taxpayers in determining the cost basis of some stock sales may be out of scope of the VITA/TCE program. Contact site coordinator for more information.
- **(g) Adjustments to gain or loss, if any:** Indicates the amount of the adjustment to gain or loss from column (b) entry, if any.
- **(h) Gain or loss and column "S / L":** Automatically calculated.

How to link Capital G/L Worksheet entries to Form 8949 pages 1 and 2:

- I. The entering of transactions in Capital G/L Worksheet will add one Form 8949 **page 1** (short-term entries) and **page 2** (long-term entries) to the forms tree.
- II. If there were multiple transaction codes (A, B, or C) entered on the worksheet for short-term and/or long-term, you will need to add the additional copies of Form 8949 to the TaxWise® tree. Keep in mind there could be up to six copies for Form 8949 in your forms tree.

For example: If a taxpayer sold stock in 2011 and received Form 1099-B for 100 shares of ABC stock with basis shown in box 3, 200 shares of ZYZ stock without basis in box 3, 10 shares of MNOP stock with basis in box 3, and sold a home at a loss; the completed worksheet may appear as follows:

US Schedule D		Capital Gain or Loss Transactions Worksheet								2011	
1099 column: Enter "A" if Form 1099-B, box 3, shows the basis, enter "B" if Form 1099-B, box does not show the basis, or "C" if Form 1099-B was not received for the transaction.											
* Check if 28% rate gain or (loss).											
(a) Description of property	1 0 9 9	T S J	*	(b) Code	(c) Date acquired	(d) Date sold	(e) Sales price	(f) Cost or other basis	(g) Adjustments to gain or loss	(h) Gain or loss	S / L
100 SHRS ABC	A				01/01/2009	10/10/2011	2,500.	35.	0.	2,465.	L
200 SHRS ZYZ	B				12/10/2010	03/15/2011	2,000.	1,500.	0.	500.	S
10 SHRS MNOP	A				10/01/2010	03/01/2011	3,500.	4,500.	0.	-1,000.	S
SALE OF HOME	C				01/15/1980	02/15/2011	175,000.	200,000.	25,000.	0.	L

Because ABC stock is long-term and box 3 on Form 1099-B shows the basis, the code for the **1099** column is "A". Similarly, enter ZYZ stock is short-term without basis, code is "B" and MNOP stock is short-term with basis, code "A".

Since the loss on the sale of a home is not deductible, the transaction code is "C" with a non-deductible loss adjustment in column (g).

Although for this example there should be **four** Forms 8949 in the TaxWise forms tree, TaxWise will only add one Form 8949 (page 1 and page 2). The additional two forms are added by opening the Form 8949 (page 1 and/or 2) and selecting "add" copy until there is one Form 8949 per transaction type from the G/L worksheet. **NOTE: Form 8949 will not populate information from the G/L worksheet until you make a selection of the transaction code type (A, B, or C) at the top of each form, depending on the entries in the worksheet.**

For more information, review the following resources:

- 2011 Instructions for Schedule D (and Form 8949), *Capital Gains and Losses*
- Publication 4012, *VITA/TCE Volunteer Resource Guide*
- Publication 4491X, *VITA/TCE Training Supplement*
- Publication 17, *Your Federal Income Tax*, or
- The VITA hotline at 1-800-829-8482

If you have any questions, please discuss them with your site coordinator, contact your local IRS SPEC relationship manager, or e-mail partner@irs.gov.

Thank you for volunteering to serve your community and for your dedication to providing top QUALITY service!