NASH BUSINESS SERVICES, INC. Tax Income /Payroll/Sales/Bookkeeping/Business License Prep

Phone: (818) 243-1977
Fax (213) 984-2653
email nbsandco@aol.com

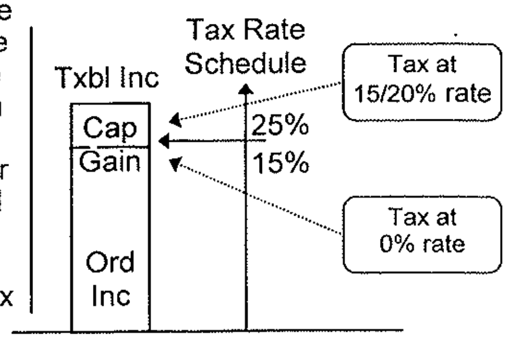
210 N Central Ave. #100
Glendale, Ca 91203
Web www.8182431977.com

SCHEDULE D – CAPITAL GAIN/LOSS

SUMMARY CHART – CAPITAL GAINS – 1998 AND LATER

Item	Comments
Ordinary Gain/Loss Recapture Gains	Depreciation recaptured as ordinary income on Form 4797 goes directly to Form 1040. (This is not a Schedule D issue.)
Short-Term	Gain/loss on assets held 12 months or less.
Long-Term (Max. rates) **A. Long-Term Gain/Loss 0%/15%/20%**	Gain/Loss on assets held more than one year had composite rate of 5%/15% for 5/4/2003 through 2007, and then are 0%/15% for 2008 through 2012. In 2013 add a third "tier" of 20% for taxable incomes over $400K ($450K for couples).
B. Collectibles - not over 28%	Maximum rate of 28% for collectibles held more than one year. Section 1202- Gain on Qualified Small Business Stock (QSBS) held more than 5 years – the non-excludable portion goes here. Note: 42% of excludable portion is an AMT adjustment. NOTE: Long-term capital loss carryovers start in this group.
C. §1250 Unrecapt. Gain not over 25%	Gains attributable to depreciation on business or rental real estate. For dispositions after 5/7/97.
D. Special Cases	Section 1202 allows partial exclusion of gains from "qualified small business stock." Section 1244 allows ordinary loss on some sales of "small business" stock. Section 1400F allows excludable gains from a sale of "qualifying community renewal assets". 1400B has a similar provision for Washington DC assets. 2012 American Taxpayer Relief Act allows full exclusion of gain on small business stock purchased after 9/27/2010 and before 01/01/2014, if the stock is held more than 5 years.

Split-Rate Rule (E.G. - 0%/15%). Picture taxable income as a stack of dollars with ordinary income dollars on the bottom, and long-term gains at the very top of the stack. Any long-term gain lying in the normal 15% tax bracket is taxed at 0%. Any long-term gain lying in normal brackets of 25% or more is taxed at 15%. Beginning in 2013, a third "tier" of 20% applies to taxable incomes over $400K, ($450K for couples).
For AMT purposes, the same rule is used - no tax preference!!



Phone: (818) 243-1977
Fax (213) 984-2653
email nbsandco@aol.com

210 N Central Ave. #100
Glendale, Ca 91203
Web www.8182431977.com

CAPITAL GAINS RATES. Here's a chart for taxation of capital gains. Also remember that "qualified dividends" receive these same rates. The newest rates (2013 & on) were made permanent by ATRA 2012.

Scheduled Rates For Capital Gains		
Year	**Capital Gain Rates**	**Dividends Taxed at Capital Gain Rates?**
2013 & on	0%/15%/20%	Yes
2008 - 2012	0%/15%	Yes
2004-2007	5%/15%	Yes

For 2013 and on, the 0% capital gain rate applies as long as the long-term capital gain lies in the normal bracket of 15% or lower. The 15% capital gain rate applies in the normal bracket of 25% or higher. However a higher 20% rate applies to taxable incomes over $400K ($450K for MFJ).

CALIFORNIA DIFFERENCES

NO CAPITAL GAIN RATES. California taxes capital gain income as ordinary income. No tax advantage comes from the rate of taxation.

CAPITAL LOSS is limited to $3,000 per year (same as Federal).

2011

MORE REPORTING OF SECURITIES TRANSACTIONS

RULES FOR BROKERS. Stocks, bonds and other financial instruments purchased after 2010 (later dates apply to specialized securities), brokers will continue to report the items listed above, but will also need to report the customer's adjusted basis (essentially cost for tax purposes) and whether the gain/loss is short or long term. This takes effect in stages:

- 2011 for *stocks and bonds* in a corporation,
- 2012 for stock in a RIC (Regulated Investment Co, or mutual fund) or stock acquired in a DRP (Dividend Reinvestment Program),
- 2014** for any other security specified by IRS.

** This had been scheduled for 2013, but in response to brokers, IRS in Notice 2012-34 agreed to delay this until 2014.

CHANGING BROKERS The new broker is required to gather information from former broker, but ONLY for stocks acquired in 2011 or later.

BASIS TRACKING will continue to be a problem for many years.

Emergency Economic Stabilization Act of 2008.

Phone: (818) 243-1977
Fax (213) 984-2653
email nbsandco@aol.com

210 N Central Ave. #100
Glendale, Ca 91203
Web www.8182431977.com

FORM 8949 AND SCHEDULE D. IRS wants to track different capital transactions, depending upon whether they are reported by broker on Form 1099-B, or whether they are "self-reported" by the taxpayer. Form 8949 is a backup detail schedule of the transactions that appear on Schedule D.

BROKERS have adopted the language "Covered" for transactions "covered" by the new reporting rules discussed on the prior page, and "Non-Covered" for transactions not required to be reported.

ADDITIONAL INFORMATION FOR FORM 8949 is found later in this outline under Form 8949 on page 307.

WASH SALE RULE MODIFIED

MONEY MARKET FUNDS. If a taxpayer sells stock at a loss, then repurchases the same or substantially identical stock within 30 days, the loss is not deductible. Since many shareholders engage in frequent purchases and sales in money market funds, a shareholder that realizes a loss will often acquire shares in that same money market fund within 30 days before or after the redemption, thus subjecting the loss to possible wash sale treatment. The IRS said that it would not treat the redemption as part of a wash sale if the loss realized was not more than 0.5% of the taxpayer's basis in that share. *(Notice 2013-48)*