



Ten Things to Know About Capital Gains and Losses

IRS Tax Tip 2012-35, February 22, 2012

Did you know that almost everything you own and use for personal or investment purposes is a capital asset? Capital assets include a home, household furnishings and stocks and bonds held in a personal account. When you sell a capital asset, the difference between the amount you paid for the asset and its sales price is a capital gain or capital loss.

Here are 10 facts from the IRS about how gains and losses can affect your federal income tax return.

1. Almost everything you own and use for personal purposes, pleasure or investment is a capital asset.
2. When you sell a capital asset, the difference between the amount you sell it for and your basis – which is usually what you paid for it – is a capital gain or a capital loss.
3. You must report all capital gains.
4. You may only deduct capital losses on investment property, not on personal-use property.
5. Capital gains and losses are classified as long-term or short-term. If you hold the property more than one year, your capital gain or loss is long-term. If you hold it one year or less, the gain or loss is short-term.
6. If you have long-term gains in excess of your long-term losses, the difference is normally a net capital gain. Subtract any short-term losses from the net capital gain to calculate the net capital gain you must report.
7. The tax rates that apply to net capital gain are generally lower than the tax rates that apply to other income. For 2011, the maximum capital gains rate for most people is 15 percent. For lower-income individuals, the rate may be 0 percent on some or all of the net capital gain. Rates of 25 or 28 percent may apply to special types of net capital gain.
8. If your capital losses exceed your capital gains, you can deduct the excess on your tax return to reduce other income, such as wages, up to an annual limit of \$3,000, or \$1,500 if you are married filing separately.
9. If your total net capital loss is more than the yearly limit on capital loss deductions, you can carry over the unused part to the next year and treat it as if you incurred it in that next year.
10. This year, a new form, Form 8949, Sales and Other Dispositions of Capital Assets, will be used to calculate capital gains and losses. Use Form 8949 to list all capital gain and loss transactions. The subtotals from this form will then be carried over to Schedule D (Form 1040), where gain or loss will be calculated.

For more information about reporting capital gains and losses, see the Schedule D instructions, Publication 550, Investment Income and Expenses or Publication 17, Your Federal Income Tax. All forms and publications are available at www.irs.gov or by calling 800-TAX-FORM (800-829-3676).

Links:

- Publication 17, Your Federal Income Tax ([PDF 2015.9K](#))
- Publication 550, Investment Income and Expenses ([PDF 516K](#))

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Page Last Reviewed or Updated: February 21, 2012