1999 Instructions for Schedule D, Capital Gains and Losses

Use Schedule D (Form 1040) to report:

- The sale or exchange of a capital asset (defined on this page).
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions not reported directly on Form 1040, line 13.
- Nonbusiness bad debts.

Additional Information. See **Pub. 544** and **Pub. 550** for more details. For a comprehensive filled-in example of Schedule D, see Pub. 550.

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

A Change To Note

If your only capital gains are capital gain distributions from mutual funds (or other regulated investment companies) or real estate investment trusts, you may not need to complete Schedule D. See the instructions for Form 1040, line 13, on page 21 to find out if you can report your capital gain distributions directly on Form 1040, line 13, and use the new **Capital Gain Tax Worksheet** to figure your tax instead of filing Schedule D.

Other Forms You May Have To File

Use **Form 4797** to report the following:

- The sale or exchange of property used in a trade or business; depreciable and amortizable property; oil, gas, geothermal, or other mineral property; and section 126 property.
- The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.
- The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.
- Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.
- Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.

Use **Form 4684** to report involuntary conversions of property due to casualty or theft.

Use **Form 6781** to report gains and losses from section 1256 contracts and straddles.

Use **Form 8824** if you made one or more “like-kind” exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind. For exchanges of capital assets, include the gain or (loss) from Form 8824, if any, on line 4 or line 11.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets. A capital asset is any property held by you **except** the following:

1. Stock in trade or other property included in inventory or held for sale to customers.

2. Accounts or notes receivable for services performed in the ordinary course of your trade or business or as an employee, or from the sale of any property described in **1.**

3. Depreciable property used in your trade or business even if it is fully depreciated.

4. Real estate used in your trade or business.

5. Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: **(a)** created by your personal efforts; **(b)** prepared or produced for you (in the case of letters, memoranda, or similar property); or **(c)** that you received from someone who created them or for whom they were created, as mentioned in **(a)** or **(b),** in a way (such as by gift) that entitled you to the basis of the previous owner.

6. U.S. Government publications, including the Congressional Record, that you received from the government, other than by purchase at the normal sales price, or that you got from someone who had received it in a similar way, if your basis is determined by reference to the previous owner’s basis.

Capital Assets Held for Personal Use

Generally, gain from the sale or exchange of a capital asset held for personal use is a capital gain. Report it on Schedule D, Part I or Part II. However, if you converted depreciable property to personal use, all or part of the gain on the sale or exchange of that property may have to be recaptured as ordinary income. Use Part III of Form 4797 to figure the amount of ordinary income recapture. The recapture amount is included on line 31 (and line 13) of Form 4797. **Do not** enter any gain for this property on line 32 of Form 4797. If you are not completing Part III for any other properties, enter “N/A” on line 32. If the total gain is more than the recapture amount, enter “From Form 4797” in column (a) of line 1 or line 8 of Schedule D, skip columns (b) through (e), and in column (f), enter the excess of the total gain over the recapture amount.

Loss from the sale or exchange of a capital asset held for personal use is not deductible. But if you had a loss from the sale or exchange of real estate held for personal use for which you received a **Form 1099-S,** you must report the transaction on Schedule D even though the loss is not deductible.

For example, you have a loss on the sale of a vacation home that is not your main home and received a Form 1099-S for the transaction. Report the transaction on line 1 or 8, depending on how long you owned the home. Complete columns (a) through (e). Because the loss is not deductible, enter zero in column (f).

Short Term or Long Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property.

A nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 for what qualifies as a non-business bad debt and how to enter it on Schedule D.

Capital Gain Distributions

Enter on line 13, column (f), the **total** capital gain distributions paid to you during the year, regardless of how long you held your investment. This amount should be shown in box 2a of **Form 1099-DIV.** Enter on line 13, column (g), the total of the amounts reported to you as the 28% rate gain portion of your total capital gain distributions. This

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amount should be shown in box 2b of Form 1099-DIV.

If you received a Form 1099-DIV with an amount in box 2c, see the **Unrecaptured Section 1250 Gain Worksheet** for line 25 on page D-7. If you received a Form 1099-DIV with an amount in box 2d, see **Exclusion of Gain on Qualified Small Business Stock (Section 1202)** on page D-4.

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on line 13 only the amount that belongs to you. Attach a statement showing the full amount you received and the amount you received as a nominee. See page B-1 of the Instructions for Schedule B (Form 1040) for filing requirements for Forms 1099-DIV and 1096.

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income or unrecaptured section 1250 gain. See **Pub. 541** and the worksheet for line 25 on page D-7.

Sale of Your Home

If you sold or exchanged your main home in 1999, do not report it on your tax return unless your gain exceeds your exclusion amount. Generally, if you meet the two tests below, you can exclude up to $250,000 of gain. If both you and your spouse meet these tests and you file a joint return, you can exclude up to $500,000 of gain (but only one spouse needs to meet the ownership requirement in **Test 1**).

Test 1. You owned and used the home as your main home for 2 years or more during the 5-year period ending on the date you sold or exchanged your home.

Test 2. You have not sold or exchanged another main home during the 2-year period ending on the date of the sale or exchange of your home (not counting any sales or exchanges before May 7, 1997).

See **Pub. 523** for details, including how to report any taxable gain on Schedule D, if:

- You do not meet one of the above two tests,
- You (or your spouse if married) used any part of the home for business or rental purposes after May 6, 1997, **or**
- Your gain exceeds your exclusion amount.

Nondeductible Losses

Do not deduct a loss from the direct or indirect sale or exchange of property between any of the following.

- Members of a family.
- A corporation and an individual owning more than 50% of the corporation's stock (unless the loss is from a distribution in complete liquidation of a corporation).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a beneficiary of another trust created by the same grantor.
- An executor of an estate and a beneficiary of that estate, unless the sale or exchange was to satisfy a pecuniary bequest (i.e., a bequest of a sum of money).
- An individual and a tax-exempt organization controlled by the individual or the individual's family.

See Pub. 544 for more details on sales and exchanges between related parties.

If you disposed of **(a)** an asset used in an activity to which the at-risk rules apply or **(b)** any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the instructions for **Form 6198.**

If the loss is allowable under the at-risk rules, it may then be subject to the passive activity rules. See **Form 8582** and its instructions for details on reporting capital gains and losses from a passive activity.

Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See Pub. 550 for details.
- Certain real estate subdivided for sale that may be considered a capital asset. See section 1237.
- Gain on the sale of depreciable property to a more than 50% owned entity, or to a trust of which you are a beneficiary. See Pub. 544 for details.
- Gain on the disposition of stock in an interest charge domestic international sales corporation. See section 995(c).
- Gain on the sale or exchange of stock in certain foreign corporations. See section 1248.
- Transfer of property to a partnership that would be treated as an investment company if it were incorporated. See Pub. 541.
- Sales of stock received under a qualified public utility dividend reinvestment plan. See Pub. 550 for details.
- Transfer of appreciated property to a political organization. See section 84.
- In general, no gain or loss is recognized on the transfer of property from an individual to a spouse or a former spouse if the transfer is incident to a divorce. See **Pub. 504.**
- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument. See Pub. 550.
- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as a long-term capital loss on Schedule D, but any gain is reported as ordinary income on Form 4797.
- Amounts received by shareholders in corporate liquidations. See Pub. 550.
- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See Pub. 550 for details.
- Mutual fund load charges may not be taken into account in determining gain or loss on certain dispositions of stock in mutual funds if reinvestment rights were exercised. For details, see **Pub. 564.**

Wash Sales

A wash sale occurs when you sell or otherwise dispose of stock or securities (including a contract or option to acquire or sell stock or securities) at a loss and, within 30 days before or after the sale or disposition, you directly or indirectly:

- Buy substantially identical stock or securities,
- Acquire substantially identical stock or securities in a fully taxable trade, or
- Enter into a contract or option to acquire substantially identical stock or securities.

You **cannot** deduct losses from wash sales unless the loss was incurred in the ordinary course of your business as a dealer in stock or securities. The basis of the substantially identical property (or contract or option to acquire such property) is its cost increased by the disallowed loss. For more details on wash sales, see Pub. 550.

Report a wash sale transaction on line 1 or 8. Enter the full amount of the (loss) in column (f). Directly below the line on which you reported the loss, enter "Wash Sale" in column (a) and enter as a positive amount in column (f) the amount of the loss not allowed.

Short Sales

A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you either buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale. Usually, your holding period is the amount of time you actually held the property eventually delivered to the lender to close the short sale. However, your gain when closing a short sale is short term if you **(a)** held substantially identical property for 1 year or less on the date of the short sale, or **(b)** acquired property substantially identical to the property sold short after the short sale but on or before the date you close the short sale.

If you held substantially identical property for more than 1 year on the date of a short sale, any loss realized on the short sale is a long-term capital loss, even if the property used to close the short sale was held 1 year or less.

Constructive Sale Treatment for Certain Appreciated Positions

Generally, you must recognize gain (but not loss) on the date you enter into a constructive sale of any appreciated position in stock, a partnership interest, or certain debt instruments as if the position were disposed of at fair market value on that date.

You are treated as making a constructive sale of an appreciated position when you (or a related person, in some cases) do one of the following:

- Enter into a short sale of the same or substantially identical property (i.e., a "short sale against the box").
- Enter into an offsetting notional principal contract relating to the same or substantially identical property.
- Enter into a futures or forward contract to deliver the same or substantially identical property.
- Acquire the same or substantially identical property (if the appreciated position is a short sale, offsetting notional principal contract, or a futures or forward contract).

Exception. Generally, constructive sale treatment **does not** apply if:

- You closed the transaction before the end of the 30th day after the end of the year in which it was entered into,
- You held the appreciated position to which the transaction relates throughout the 60-day period starting on the date the transaction was closed, **and**
- At no time during that 60-day period was your risk of loss reduced by holding certain other positions.

For details and other exceptions to these rules, see Pub. 550.

Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract, but is a capital asset in your hands. If an option you purchased expired, enter the expiration date in column (c) and enter **"EXPIRED"** in column (d). If an option that was granted (written) expired, enter the expiration date in column (b) and enter **"EXPIRED"** in column (e). Fill in the other columns as appropriate. See Pub. 550 for more details.

Sales of Stock to ESOPs or Certain Cooperatives

If you sold qualified securities (defined in section 1042(c)(1)) held for at least 3 years to an employee stock ownership plan (ESOP) or eligible worker-owned cooperative, you may be able to elect to postpone all or part of the gain on the sale if you bought qualified replacement property (securities) within the period that began 3 months before the sale and ended 12 months after the sale. If you make the election, you must recognize gain on the sale only to the extent the proceeds from the sale exceed the cost of the qualified replacement property. You must reduce the basis of the replacement property by any postponed gain. If you dispose of any replacement property, you may have to recognize all of the postponed gain.

Generally, to qualify for the election, the ESOP or cooperative must own immediately after the sale at least 30% of the outstanding stock of the corporation that issued the qualified securities. Also, the qualified replacement property must have been issued by a domestic operating corporation.

Similar rules apply to the sale of stock of a qualified refiner or processor to an eligible farmers' cooperative. See section 1042(g) for details and exceptions.

You must make the election no later than the due date (including extensions) for filing your tax return for the year in which you sold the stock. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address you used for your original return.

To make the election, report the entire gain realized on the sale on line 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1042 election" and enter as a (loss) in column (f) the amount of the gain you are postponing or expect to postpone. If the actual postponed gain is different from the amount you report, file an amended return.

Also attach the following statements:

1. A "statement of election" that indicates you are making an election under section 1042(a) and that includes the following information: **(a)** a description of the securities sold, the date of the sale, the amount realized on the sale, and the adjusted basis of the qualified securities; **(b)** the name of the ESOP or cooperative to which the qualified securities were sold; and **(c)** for a sale that was part of a single, interrelated transaction under a prearranged agreement between taxpayers involving other sales of qualified securities, the names and identifying numbers of the other taxpayers under the agreement and the number of shares sold by the other taxpayers.

2. A notarized "statement of purchase" describing the qualified replacement property, date of purchase, and the cost of the property, and declaring the property to be qualified replacement property for the qualified stock you sold. The statement must have been notarized no later than 30 days after the purchase. If you have not yet purchased the qualified replacement property, you must attach the notarized "statement of purchase" to your income tax return for the year following the election year (or the election will not be valid).

3. A verified written statement of the domestic corporation whose employees are covered by the ESOP acquiring the qualified securities, or of any authorized officer of the cooperative, consenting to the taxes under sections 4978 and 4979A on certain dispositions and prohibited allocations of the stock purchased by the ESOP or cooperative.

For details, see section 1042 and Temporary Regulations section 1.1042-1T.

Specialized Small Business Investment Companies (SSBICs)

If you sold publicly traded securities, you may elect to postpone all or part of the gain on that sale if you bought common stock or a partnership interest in an SSBIC during the 60-day period that began on the date of the sale. An SSBIC is any partnership or corporation licensed by the Small Business Administration under section 301(d) of the Small Business Investment Act of 1958. You must recognize gain to the extent the sale proceeds exceed the cost (not taken into account previously) of your SSBIC stock or partnership interest purchased during the 60-day period that began on the date of the sale. The gain you may elect to postpone is limited to $50,000 a year and $500,000 during your lifetime (reduce these amounts by one-half if you are married filing separately). Reduce the basis of your SSBIC stock or partnership interest by any postponed gain.

You must make the election no later than the due date (including extensions) for filing your tax return for the year in which you sold the securities. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address you used for your original return.

To make the election, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "SSBIC rollover" and enter as a (loss) in column (f) the amount of the postponed gain. Also attach a schedule showing **(a)** how you figured the postponed gain, **(b)** the name of the SSBIC in which you purchased common stock or a partnership interest, **(c)** the date of that purchase, and **(d)** your new basis in that SSBIC stock or partnership interest.

Exclusion of Gain on Qualified Small Business Stock (Section 1202)

Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of qualified small business stock. The section 1202 exclusion applies only to qualified small business stock issued after August 10, 1993, and held for more than 5 years. To be **qualified small business stock,** the stock must meet **all** of the following tests:

- It must be stock in a C corporation (i.e., not S corporation stock).
- It must have been originally issued after August 10, 1993.
- As of the date the stock was issued, the corporation was a qualified small business (QSB). A QSB is a domestic C corporation with total gross assets of $50 million or less **(a)** at all times after August 9, 1993, and before the stock was issued and **(b)** immediately after the stock was issued. Gross assets include those of any predecessor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.
- You must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property, or as pay for services (other than as an underwriter) to the corporation. In certain cases, you may meet the test if you acquired the stock from another person who met the test (such as by gift or inheritance) or through a conversion or exchange of QSB stock you held.
- During substantially all the time you held the stock:

1. The corporation was a C corporation,

2. At least 80% of the value of the corporation's assets were used in the active conduct of one or more qualified businesses (defined below), and

3. The corporation **was not** a foreign corporation, DISC, former DISC, regulated investment company, real estate investment trust, REMIC, FASIT, cooperative, or a corporation that has made (or that has a subsidiary that has made) a section 936 election.

Note. A specialized small business investment company (SSBIC) is treated as having met test 2 above.

A **qualified business** is any business **other than** a—

- Business involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, or brokerage services.
- Business whose principal asset is the reputation or skill of one or more employees.
- Banking, insurance, financing, leasing, investing, or similar business.
- Farming business (including the raising or harvesting of trees).
- Business involving the production of products for which percentage depletion can be claimed.
- Business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see section 1202.

Pass-Through Entities

If you held an interest in a pass-through entity (a partnership, S corporation, or mutual fund or other regulated investment company) that sold QSB stock, you must have held the interest on the date the pass-through entity acquired the QSB stock and at all times thereafter until the stock was sold to qualify for the exclusion.

How To Report

Report in column (f) of line 8 the entire gain realized on the sale of QSB stock. In column (g) of line 8, report as 28% rate gain an amount equal to the section 1202 exclusion. Complete all other columns as indicated. Directly below the line on which you reported the gain, enter in column (a) "Section 1202 exclusion" and enter as a (loss) in column (f) the amount of the allowable exclusion.

Gain From Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2d, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Gain From Form 2439. If you received a Form 2439 with a gain in box 1d, part or all of that gain (which is also included in box 1a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Alternative Minimum Tax. You must include 42% of the exclusion amount on **Form 6251,** line 14m. Complete Form 6251 to see if you owe this tax.

Rollover of Gain From QSB Stock

If you sold QSB stock (defined above) that you held for more than 6 months, you may elect to postpone gain if you purchase other QSB stock during the 60-day period that began on the date of the sale. A pass-through entity also may make the election to postpone gain. The benefit of the postponed gain applies to your share of the entity's postponed gain if you held an interest in the entity for the entire period the entity held the QSB stock. If a pass-through entity sold QSB stock held for more than 6 months and you held an interest in the entity for the entire period the entity held the stock, you also may elect to postpone gain if you, rather than the pass-through entity, purchase the replacement QSB stock within the 60-day period.

You must recognize gain to the extent the sale proceeds exceed the cost of the replacement stock. Reduce the basis of the replacement stock by any postponed gain.

You must make the election no later than the due date (including extensions) for filing your tax return for the tax year in which the QSB stock was sold. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address you used for your original return.

To make the election, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1045 rollover" and enter as a (loss) in column (f) the amount of the postponed gain.

Undistributed Capital Gains

Include on line 11, column (f), the amount from box 1a of **Form 2439.** This represents your share of the undistributed long-term capital gains of the regulated investment company (including a mutual fund) or real estate investment trust.

Include on line 11, column (g), the amount, if any, from box 1b of Form 2439. If there is an amount in box 1c of Form 2439, see the worksheet for line 25 on page D-7. If there is an amount in box 1d of Form 2439, see **Exclusion of Gain on Qualified Small Business Stock (Section 1202)** on this page.

Enter on Form 1040, line 63, the tax paid as shown in box 2 of Form 2439. Add to the basis of your stock the excess of the amount included in income over the amount of the credit for the tax paid. See Pub. 550 for more details.

Installment Sales

If you sold property (other than publicly traded stocks or securities) at a gain and you will receive a payment in a tax year after the year of sale, you must report the sale on the installment method unless you elect not to. Use **Form 6252** to report the sale on the installment method. Also use Form 6252 to report any payment received in 1999 from a sale made in an earlier year that you reported on the installment method.

To elect out of the installment method, report the full amount of the gain on Schedule D on a timely filed return (including extensions) for the year of the sale. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address you used for your original return.

Specific Instructions

Column (b)—Date Acquired

Enter in this column the date the asset was acquired. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date the stock or property was delivered to the broker or lender to close the short sale.

If you disposed of property that you acquired by inheritance, report the gain or (loss) on line 8 and enter **"INHERITED"** in column (b) instead of the date you acquired the property.

If you sold a block of stock (or similar property) that was acquired through several different purchases, you may report the sale on one line and enter **"VARIOUS"** in column (b). However, you still must report the short-term gain or (loss) on the sale in Part I and the long-term gain or (loss) in Part II.

Column (c)—Date Sold

Enter in this column the date the asset was sold. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date you sold the stock or property you borrowed to open the short sale transaction.

Column (d)—Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a **Form 1099-B** or substitute statement from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), **do not** include the commissions and option premiums from the sale in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).

CAUTION

Be sure to add all sales price entries on lines 1 and 8, column (d), to amounts on lines 2 and 9, column (d). Enter the totals on lines 3 and 10.

Column (e)—Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. If you inherited the property, got it as a gift, or received it in a tax-free exchange, involuntary conversion, or "wash sale" of stock, you may not be able to use the actual cost as the basis. If you do not use the actual cost, attach an explanation of your basis.

When selling stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits. See Pub. 550 for details on how to figure your basis in stock that split while you owned it.

You can choose to use an average basis for mutual fund shares if you acquired the shares at various times and prices and you left the shares on deposit in an account handled by a custodian or agent who acquired or redeemed those shares. For details on how to figure average basis, see **Pub. 564.**

The basis of property acquired by gift is generally the basis of the property in the hands of the donor. The basis of property acquired from a decedent is generally the fair market value at the date of death. See Pub. 544 for details.

Increase the cost or other basis of an original issue discount (OID) debt instrument by the amount of OID that has been included in gross income for that instrument.

If a charitable contribution deduction is allowed because of a bargain sale of property to a charitable organization, the adjusted basis for purposes of determining gain from the sale is the amount that has the same ratio to the adjusted basis as the amount realized has to the fair market value.

Increase your cost or other basis by any expense of sale, such as broker's fees, commissions, state and local transfer taxes, and option premiums, before making an entry in column (e), unless you reported the net sales price in column (d).

For more details, see **Pub. 551.**

Column (f)—Gain or (Loss)

You **must** make a separate entry in this column for each transaction reported on lines 1 and 8 and any other line(s) that applies to you. For lines 1 and 8, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

Column (g)—28% Rate Gain or (Loss)

Enter in column (g) **only** the amount, if any, from Part II, column (f), that is equal to the amount of your section 1202 exclusion from the eligible gain on qualified small business stock (see page D-4) or from collectibles gains and losses. A **collectibles gain or loss** is any long-term gain or loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Also include gain from the sale of an interest in a partnership, S corporation, or trust attributable to unrealized appreciation of collectibles.

Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 4684, 4797, 6252, 6781, or 8824). Include these transactions even if you did not receive a Form 1099-B or **Form 1099-S** (or substitute statement) for the transaction. You can use abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

Use **Schedule D-1** if you need more space to list transactions for lines 1 and 8. Use as many Schedules D-1 as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1.

CAUTION

Add the following amounts reported to you for 1999 on Forms 1099-B and 1099-S (or substitute statements): **(a)** proceeds from transactions involving stocks, bonds, and other securities, and **(b)** gross proceeds from real estate transactions, other than the sale of your main home if you had no taxable gain, not reported on another form or schedule. If this total is **more** than the total of lines 3 and 10, attach an explanation of the difference.

Capital Loss Carryover Worksheet—Line 18

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Use this worksheet to figure your capital loss carryovers from 1999 to 2000 if Schedule D, line 18, is a loss and **(a)** that loss is a smaller loss than the loss on Schedule D, line 17, **or (b)** Form 1040, line 37, is a loss. Otherwise, you do not have any carryovers.

1.	Enter the amount from Form 1040, line 37. If a loss, enclose the amount in parentheses		**1.**
2.	Enter the loss from Schedule D, line 18, as a positive amount		**2.**
3.	Combine lines 1 and 2. If zero or less, enter -0-		**3.**
4.	Enter the **smaller** of line 2 or line 3		**4.**
	Note. If line 7 of Schedule D is a loss, go to line 5; otherwise, enter -0- on line 5 and go to line 9.		
5.	Enter the loss from Schedule D, line 7, as a positive amount		**5.**
6.	Enter any gain from Schedule D, line 16	**6.**	
7.	Add lines 4 and 6		**7.**
8.	**Short-term capital loss carryover to 2000.** Subtract line 7 from line 5. If zero or less, enter -0-		**8.**
	Note. If line 16 of Schedule D is a loss, go to line 9; otherwise, skip lines 9 through 13.		
9.	Enter the loss from Schedule D, line 16, as a positive amount		**9.**
10.	Enter any gain from Schedule D, line 7	**10.**	
11.	Subtract line 5 from line 4. If zero or less, enter -0-	**11.**	
12.	Add lines 10 and 11		**12.**
13.	**Long-term capital loss carryover to 2000.** Subtract line 12 from line 9. If zero or less, enter -0-		**13.**

Line 25

Complete the worksheet below if **any** of the following apply to you.

- During 1999, you sold or otherwise disposed of section 1250 property (generally, real property that you depreciated) held more than 1 year.
- You received installment payments in 1999 for section 1250 property held more than 1 year for which you are reporting gain on the installment method.
- You received a Schedule K-1 from an estate or trust, partnership, or S corporation that shows "unrecaptured section 1250 gain" reportable for 1999.
- You received a Form 1099-DIV or Form 2439 from a real estate investment trust or regulated investment company (including a mutual fund) that reports "unrecaptured section 1250 gain" for 1999.
- You reported a long-term capital gain from the sale or exchange of an interest in a partnership that owned section 1250 property.

Instructions for the Unrecaptured Section 1250 Gain Worksheet

Lines 1 Through 3. If you had more than one property described on line 1, complete lines 1 through 3 for each property on a separate worksheet. Enter the total of the line 3 amounts for all properties on line 3 and go to line 4.

Line 4. To figure the amount to enter on line 4, follow the steps below.

Step 1. For each installment sale of trade or business property held more than 1 year, figure the **smaller** of **(a)** the depreciation allowed or allowable or **(b)** the total gain for the sale. This is the **smaller** of line 22 or line 24 of the 1999 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for each property sold.

Step 2. Then, reduce that amount by any section 1250 ordinary income recapture for that sale. This is the amount from line 26g of the 1999 Form 4797 (or the comparable line of Form 4797 for the year of sale) for each property sold. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of section 1231 gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. However, if the amount you treated as unrecaptured section 1250 gain for any installment payment received after May 6, 1997, and before August 24, 1999, is less than the amount that would have been so treated under the previous sentence, you must use the smaller amount to figure any remaining unrecaptured section 1250 gain. Therefore, the amount of gain treated as unrecaptured section 1250 gain for each installment payment received after August 23, 1999, is the **smaller** of **(a)** the amount from line 26 or line 37 of the 1999 Form 6252, whichever applies, that is allocable to that installment payment or **(b)** your total unrecaptured section 1250 gain for the sale, reduced by the amount of gain treated as unrecaptured section 1250 gain for all prior installment payments. This method also may be used to figure the amount of unrecaptured section 1250 gain allocable to 1999 installment payments received before August 24. For more details, see Regulations section 1.453-12.

Step 4. Enter on line 4 the total unrecaptured section 1250 gain allocable to **all** installment payments received in 1999.

Line 10. To figure the amount to enter on line 10, follow the applicable instructions below.

Installment Sales. Follow the steps below to figure the amount to include on line 10:

- **Step 1.** For each installment sale of property held more than 1 year (but not included on line 4), figure the **smaller** of **(a)** the depreciation allowed or allowable or **(b)** the total gain for the sale. This is the **smaller** of line 22 or line 24 of the 1999 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for each property sold.
- **Step 2.** Reduce the amount from step 1 by any section 1250 ordinary income recapture for that sale. This is the amount from line 26g of the 1999 Form 4797 (or the comparable line of Form 4797 for the year of sale) for each property sold. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.
- **Step 3.** Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. However, if the amount you treated as unrecaptured section 1250 gain for any installment payment received after May 6, 1997, and before August 24, 1999, is less than the amount that would have been so treated under the previous sentence, you must use the smaller amount to figure any remaining unrecaptured section 1250 gain. Therefore, the amount of gain treated as unrecaptured section 1250 gain for each installment payment received after August 23, 1999, is the

Unrecaptured Section 1250 Gain Worksheet—Line 25 *Keep for Your Records*

TIP If any of the following apply, you do not have to complete all of the worksheet. Instead, follow the instructions below:

- Go to line 4 if your only unrecaptured section 1250 gain is from an installment sale of trade or business property held more than 1 year that you are reporting on Form 6252.
- Go to line 5 if your only unrecaptured section 1250 gain is from a Schedule K-1 reporting such gain from a partnership or an S corporation.
- Go to line 10 if your only unrecaptured section 1250 gain is from a sale (including an installment sale) or other disposition of section 1250 property held more than 1 year, but that is not being reported in Part I of Form 4797.
- Go to line 10 if your only unrecaptured section 1250 gain is from the sale or exchange of an interest in a partnership.
- Go to line 11 if your only unrecaptured section 1250 gain is from a Schedule K-1, Form 1099-DIV, or Form 2439 reporting such gain from an estate, trust, real estate investment trust, or regulated investment company (including a mutual fund).

1. If you had a section 1250 property in Part III of Form 4797 for which you made an entry in column (g) of Part I of Form 4797 (but not on Form 6252), enter the **smaller** of line 22 or line 24 of Form 4797 for that property. If you had more than one such property, see instructions		**1.**
2. Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1		**2.**
3. Subtract line 2 from line 1		**3.**
4. Enter the total unrecaptured section 1250 gain included on line 26 or line 37 of Form(s) 6252 from installment sales of trade or business property held more than 1 year (see instructions)		**4.**
5. Enter the total of any amounts reported to you on Schedules K-1 from a partnership or an S corporation as “unrecaptured section 1250 gain”		**5.**
6. Add lines 3 through 5		**6.**
7. Enter the **smaller** of line 6 or the gain, if any, from Form 4797, line 7 . .	**7.**	
8. Enter the amount, if any, from Form 4797, line 8	**8.**	
9. Subtract line 8 from line 7. If zero or less, enter -0-		**9.**
10. Enter the total unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year (but not included on any of the above lines). Also include gain from the sale or exchange of an interest in a partnership attributable to section 1250 gain (see instructions)		**10.**
11. Enter the total of any amounts reported to you on Schedules K-1 and Forms 1099-DIV and 2439 as “unrecaptured section 1250 gain” from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company)		**11.**
12. Add lines 9 through 11		**12.**
13. Enter the gain or (loss) from Schedule D, line 15	**13.**	
14. Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0-	**14.**	
15. Combine lines 13 and 14. If the result is zero or a gain, enter -0-. If the result is a (loss), enter it as a positive amount		**15.**
16. Subtract line 15 from line 12. If zero or less, enter -0-. Enter the result on Schedule D, line 25		**16.**

smaller of **(a)** the amount from line 26 or line 37 of the 1999 Form 6252, whichever applies, that is allocable to that installment payment or **(b)** your total unrecaptured section 1250 gain for the sale, reduced by the amount of gain treated as unrecaptured section 1250 gain for all prior installment payments. This method also may be used to figure the amount of unrecaptured section 1250 gain allocable to 1999 installment payments received before August 24. For more details, see Regulations section 1.453-12.

- **Step 4.** Include on line 10 the total unrecaptured section 1250 gain allocable to **all** installment payments received in 1999.

Other Sales or Dispositions of Section 1250 Property. For each sale of property held more than 1 year (but not included on line 1), figure the **smaller** of **(a)** the depreciation allowed or allowable or **(b)** the total gain for the sale. This is the **smaller** of line 22 or line 24 of the 1999 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for each property sold. Then, reduce that amount by any section 1250 ordinary income recapture for that sale. This is the amount from line 26g of the 1999 Form 4797 (or the comparable line of Form 4797 for the year of sale) for each property sold. The result is your total unrecaptured section 1250 gain that must be included on line 10.

Sale or Exchange of a Partnership Interest Held More Than 1 Year. Include on line 10 your share of the partnership's unrecaptured section 1250 gain that would result if the partnership had transferred all of its section 1250 property in a fully taxable transaction immediately before you sold or exchanged your interest in that partnership. If you recognized less than all of the realized gain, the partnership will be treated as having transferred only a proportionate amount of each section 1250 property.