

**SCHEDULE D  
(Form 1065)**

**Capital Gains and Losses**

OMB No. 1545-0099

**1991**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1065.

Name of partnership	Employer identification number
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**Part I Short-Term Capital Gains and Losses—Assets held one year or less**

(a) Description of property (Example, 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain (loss) ((d) minus (e))
<b>1</b>					
<b>2</b> Short-term capital gain from installment sales from Form 6252, line 22 or 30 . . . . .					<b>2</b>
<b>3</b> Partnership's share of net short-term capital gain (loss), including specially allocated short-term capital gains (losses), from other partnerships and from fiduciaries . . . . .					<b>3</b>
<b>4</b> Net short-term capital gain (loss). Combine lines 1 through 3. Enter here and on Form 1065, Schedule K, line 4d or 7 . . . . .					<b>4</b>

**Part II Long-Term Capital Gains and Losses—Assets held more than one year**

<b>5</b>					
<b>6</b> Long-term capital gain from installment sales from Form 6252, line 22 or 30 . . . . .					<b>6</b>
<b>7</b> Partnership's share of net long-term capital gain (loss), including specially allocated long-term capital gains (losses), from other partnerships and from fiduciaries . . . . .					<b>7</b>
<b>8</b> Capital gain distributions . . . . .					<b>8</b>
<b>9</b> Net long-term capital gain (loss). Combine lines 5 through 8. Enter here and on Form 1065, Schedule K, line 4e or 7 . . . . .					<b>9</b>

**General Instructions**

(Section references are to the Internal Revenue Code.)

**Purpose of Schedule**

Use Schedule D (Form 1065) to report sales or exchanges of capital assets, except capital gains (losses) that are specially allocated to any partners.

Specially allocated capital gains (losses) received by the partnership as a partner in other partnerships and from fiduciaries are to be entered on Schedule D, line 3 or 7, whichever applies. Capital gains (losses) of the partnership that are specially allocated to partners should be entered directly on line 4d, 4e, or 7 of Schedules K and K-1, whichever applies. Do not include these amounts on Schedule D. See **How Income Is Shared Among Partners** in the General Instructions for Schedules K and K-1 of the Instructions for Form 1065 for more information.

**General Information**

To report sales or exchanges of property other than capital assets, including the sale or exchange of property used in a trade or business and involuntary conversions (other than casualties and thefts), see **Form 4797, Sales of Business Property**,

and related instructions. If property is involuntarily converted because of a casualty or theft, use **Form 4684, Casualties and Thefts**.

For amounts received from an installment sale, the holding period rule in effect in the year of sale will determine the treatment of the amounts received as long-term or short-term capital gain.

Report every sale or exchange of property in detail, even though there is no gain or loss.

For more information, see **Pub. 544, Sales and Other Dispositions of Assets**.

**What Are Capital Assets?**

Each item of property the partnership held (whether or not connected with its trade or business) is a capital asset **except**:

1. Assets that can be inventoried or property held mainly for sale to customers.
2. Depreciable or real property used in the trade or business.
3. Certain copyrights; literary, musical, or artistic compositions; letters or memorandums; or similar property.
4. Accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in 1 above.

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

**Exchange of "Like-Kind" Property**

Use **Form 8824, Like-Kind Exchanges**, to report an exchange of like-kind property. Also report the exchange on Schedule D or on Form 4797, whichever applies. Complete and attach a Form 8824 to the partnership's return for each exchange. The partnership must report an exchange of business or investment property for "like-kind" property even if no gain or loss on the property is recognized.

If Schedule D is used to report a like-kind exchange, write **"From Form 8824"** on the appropriate line (line 1 or 5, column (a)). Skip columns (b) through (e) and enter the gain or loss, if any, from Form 8824 in column (f). If an exchange was made with a related party, write **"Related Party Like-Kind Exchange"** in the top margin of Schedule D. See Form 8824 and its instructions for details.

## Items for Special Treatment and Special Cases

The following items may require special treatment:

- Transactions by a securities dealer.
- Bonds and other debt instruments.
- Certain real estate subdivided for sale that may be considered a capital asset.
- Gain on the sale of depreciable property to a more than 50%-owned entity, or to a trust in which the partnership is a beneficiary, is treated as ordinary gain.
- Liquidating distributions from a corporation. See **Pub. 550**, Investment Income and Expenses.
- Gain on disposition of stock in an Interest-Charge Domestic International Sales Corporation or a Foreign Sales Corporation.
- Gain or loss on options to buy or sell, including closing transactions.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership.
- Transfer of property to a partnership that would be treated as an investment company if the partnership were incorporated.
- Transfer of property to a political organization if the fair market value of the property exceeds the partnership's adjusted basis in such property.
- 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 on such a disposition is reported as ordinary income on Form 4797. See section 1257 for details.
- Conversion of a general partnership interest into a limited partnership interest in the same partnership. See Rev. Rul. 84-52, 1984-1 C.B. 157.
- Transfer of partnership assets and liabilities to a newly formed corporation in exchange for all of its stock. See Rev. Rul. 84-111, 1984-2 C.B. 88.
- Contribution of limited partnership interests in exchange for limited partnership interests in another partnership. See Rev. Rul. 84-115, 1984-2 C.B. 118.
- Disposition of foreign investment in a U.S. real property interest. See section 897.
- Any loss from a sale or exchange of property between the partnership and certain related persons is not allowed, except for distributions in complete liquidation of a corporation. See sections 267 and 707(b) for details.
- Any loss from securities that are capital assets that become worthless during the year is treated as a loss from the sale or exchange of a capital asset on the last day of the tax year.
- Gain from the sale or exchange of stock in a collapsible corporation is not a capital gain. See section 341.

- Any loss from a wash sale of stock or securities (including contracts or options to acquire or sell stock or securities) cannot be deducted unless the partnership is a dealer in stock or securities and the loss was sustained in a transaction made in the ordinary course of the partnership's trade or business. A wash sale occurs if the partnership acquires (by purchase or exchange), or has a contract or option to acquire, substantially identical stock or securities within 30 days before or after the date of the sale or exchange. See section 1091 for more information.
- Gains and losses from section 1256 contracts and straddles are reported on **Form 6781**, Gains and Losses From Section 1256 Contracts and Straddles.

If there are limited partners, see section 1256(e)(4) for the limitation on losses from hedging transactions.

- Gains from the sale of property (other than publicly traded stock or securities) for which any payment is to be received in a tax year after the year of sale must be reported using the installment method on **Form 6252**, Installment Sale Income, unless the partnership elects to report the entire gain in the year of sale. The partnership should also use Form 6252 if it received a payment this year from a sale made in an earlier year on the installment method.

If the partnership wants to elect out of the installment method for installment gain that **is not** specially allocated among the partners, it must do the following on a timely filed return (including extensions):

1. Report the full amount of the gain on Schedule D.
2. If the partnership received a note or other obligation and is reporting it at less than face value (including all contingent obligations), state that fact in the margin, enter the face amount of the note or other obligation, and give the percentage of valuation.

If the partnership wants to elect out of the installment method for installment gain that **is** specially allocated among the partners, it must do the following on a timely filed return (including extensions):

1. For a **short-term capital gain**, report the full amount of the gain on Schedule K, line 4d or 7.

For a **long-term capital gain**, report the full amount of the gain on Schedule K, line 4e or 7.

2. Enter each partner's share of the full amount of the gain on Schedule K-1, line 4d, 4e, or 7, whichever applies.

3. If the partnership received a note or other obligation and is reporting it at less than face value (including all contingent obligations), attach a statement to Form 1065 that states that fact. Also show on the statement the face amount of the note or other obligation and give the percentage of valuation. Label the statement "Specially Allocated Capital Gains from Electing Out of the Installment Method."

If the partnership received more than one note or obligation, list the amounts separately.

## Specific Instructions

### Column (c)—Date Sold

Be sure to use the trade date, and not the settlement date, as the date sold for year-end stock sales made on an established market.

### Column (d)—Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. On sales of stocks and bonds, report the gross amount as reported to the partnership by the partnership's broker on Form 1099-B or similar statement. However, if the broker advised the partnership that gross proceeds (gross sales price) less commissions and option premiums were reported to the IRS, enter that net amount in column (d).

### Column (e)—Cost or Other Basis

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

When selling stock, adjust the basis by subtracting all the stock-related nontaxable distributions received before the sale. This includes nontaxable distributions from utility company stock and mutual funds. Also adjust the basis for any stock splits or stock dividends.

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

See section 852(f) for the treatment of certain load charges incurred in acquiring stock in a mutual fund with a reinvestment right.

If the gross sales price is reported in column (d), increase the cost or other basis by any expense of sale such as broker's fee, commission, or option premium before making an entry in column (e).

For more information, see **Pub. 551**, Basis of Assets.

### Lines 3 and 7—Capital Gains and Losses From Other Partnerships and Fiduciaries

See the Schedule K-1 or other information supplied to you by the other partnership or fiduciary.

### Line 8—Capital Gain Distributions

On line 8, report as capital gain distributions (a) capital gain dividends; and (b) the partnership's share of the undistributed capital gain from a regulated investment company. (Also see the instructions for Schedule K-1, line 20, item (1), in the Instructions for Form 1065.)