



# 2011 Instructions for Schedule D (and Form 8949)

## Capital Gains and Losses

These instructions explain how to complete Form 8949 and Schedule D (Form 1040). Form 8949 is new. Many transactions that, in previous years, would have been reported on Schedule D or D-1 must be reported on Form 8949 if they occur in 2011. Complete Form 8949 before you complete line 1, 2, 3, 8, 9, or 10 of Schedule D.

Use Form 8949 to report:

- The sale or exchange of a capital asset (defined below) not reported on another form or schedule,
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit, and
- Nonbusiness bad debts.

Use Schedule D:

- To figure the overall gain or loss from transactions reported on Form 8949,
- To report a gain from Form 2439 or 6252 or Part I of Form 4797,
- To report a gain or loss from Form 4684, 6781, or 8824,
- To report a gain or loss from a partnership, S corporation, estate or trust,
- To report capital gain distributions not reported directly on Form 1040, line 13 (or effectively connected capital gain distributions not reported directly on Form 1040NR, line 14), and
- To report a capital loss carryover from 2010 to 2011.

**Additional information.** See Pub. 544 and Pub. 550 for more details. For a comprehensive filled-in example of both Form 8949 and Schedule D, see Pub. 550.

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

## What's New

The IRS has created a page on [IRS.gov](http://IRS.gov) for information about Form 8949 and Schedule D at [www.irs.gov/form8949](http://www.irs.gov/form8949). Information about any tax law changes or other new developments affecting Schedule D or Form 8949 will be posted on that page.

**Form 8949.** Form 8949 is new. Many transactions that, in previous years, would have been reported on Schedule D or D-1 must be reported on Form 8949 if they occur in 2011. Complete all necessary pages of Form 8949 before completing line 1, 2, 3, 8, 9, or 10 of Schedule D. Instructions for how to complete Form 8949 are included in these instructions.

**Basis on Form 1099-B.** If you sold a covered security in 2011, your broker will send you a Form 1099-B (or substitute statement) that shows your basis. This will help you complete Form 8949. Generally, a covered security is a security you acquired after 2010, with certain exceptions explained in the instructions for Form 8949, column (f).

**Adjustments to gain or loss on Form 8949.** In certain situations, you must put a code in

column (b) of Form 8949 and report an adjustment to your gain or loss in column (g). See the instructions for Form 8949, columns (b) and (g).

**Short sales.** Some instructions for reporting short sales have changed. See the instructions for Form 8949, columns (c) and (d).

**Schedule D-1.** For 2011 transactions, Schedule D-1 is no longer in use. Form 8949 replaces it.

## General Instructions

### Other Forms You May Have To File

Use Form 4797 to report the following.

1. The sale or exchange of:
  - a. Property used in a trade or business;
  - b. Depreciable and amortizable property;
  - c. Oil, gas, geothermal, or other mineral property; and
  - d. Section 126 property.
2. 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.

3. 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.

4. Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.

5. Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.

6. Ordinary gain or loss on securities held in connection with your trading business, if you previously made a mark-to-market election. See *Traders in Securities*, later.

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 to report like-kind exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind.

### 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.

- Stock in trade or other property included in inventory or held mainly for sale to customers. But see the *Tip* about certain musical compositions or copyrights, later.

- 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 stock in trade or other property held mainly for sale to customers.

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

- Real estate used in your trade or business.

- 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. But see the *Tip* about certain musical compositions or copyrights, later.

- 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.

- Certain commodities derivative financial instruments held by a dealer and not connected to the dealer's activities as a dealer. See section 1221(a)(6).

- Certain hedging transactions entered into in the normal course of your trade or business. See section 1221(a)(7).

- Supplies regularly used in your trade or business.



*You can elect to treat as capital assets certain musical compositions or copyrights you sold or exchanged. See Pub. 550 for details.*

## Basis and Recordkeeping

Basis is the amount of your investment in property for tax purposes. The basis of property you buy is usually its cost. You need to know your basis to figure any gain or loss on the sale or other disposition of the property. You must keep accurate records that show the basis and, if applicable, adjusted basis of your property. Your records should show the purchase price, including commissions; increases to basis, such as the cost of improvements; and decreases to basis, such as depreciation, non-dividend distributions on stock, and stock splits.

For more information on basis, see the instructions for Form 8949, column (f), later, and these publications.

- Pub. 551, Basis of Assets.

- Pub. 550, Investment Income and Expenses (Including Capital Gains and Losses).

If you lost or did not keep records to determine your basis in securities, contact your broker for help.



The IRS partners with companies that offer Form 8949 software that can import trades from many brokerage firms and accounting software to help you keep track of your adjusted basis in securities. To find out more, go to [www.irs.gov/efile](http://www.irs.gov/efile).

## 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 from someone who died before or after 2010, report the disposition as a long-term gain or loss, regardless of how long you held the property. Also report the disposition as a long-term gain or loss if you acquired the property from someone who died in 2010 and the executor of the decedent's estate did not elect to file Form 8939, Allocation of Increase in Basis for Property Acquired From a Decedent. If you acquired the property from someone who died in 2010 and the executor made the election to file Form 8939, see Pub. 4895.

A nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 for what qualifies as a nonbusiness bad debt and how to enter it on Form 8949.

## Capital Gain Distributions

These distributions are paid by a mutual fund (or other regulated investment company) or real estate investment trust from its net realized long-term capital gains. Distributions of net realized short-term capital gains are not treated as capital gains. Instead, they are included on Form 1099-DIV as ordinary dividends.

Enter on Schedule D, line 13, the total capital gain distributions paid to you during the year, regardless of how long you held your investment. This amount is shown in box 2a of Form 1099-DIV.

If there is an amount in box 2b, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet in these instructions if you complete line 19 of Schedule D.

If there is an amount in box 2c, see *Exclusion of Gain on Qualified Small Business (QSB) Stock*, later.

If there is an amount in box 2d, include that amount on line 4 of the 28% Rate Gain Worksheet in these instructions if you complete line 18 of Schedule D.

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on Schedule D, 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 the Instructions for Schedule B to learn about the requirement for you to file Forms 1099-DIV and 1096.

## Sale of Your Home

Report the sale or exchange of your main home on Form 8949 if:

- You cannot exclude all of your gain from income, or

- You received a Form 1099-S for the sale or exchange.

Any gain you cannot exclude is taxable. Generally, if you meet the two following tests, 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.** During the 5-year period ending on the date you sold or exchanged your home, you owned it for 2 years or more (the ownership requirement) and lived in it as your main home for 2 years or more (the use requirement).

**Test 2.** You have not excluded gain on the sale or exchange of another main home during the 2-year period ending on the date of the sale or exchange of your home.

Even if you do not meet one or both of the above two tests, you still can claim an exclusion if you sold or exchanged the home because of a change in place of employment, health, or certain unforeseen circumstances. In this case, the maximum amount of gain you can exclude is reduced.

If your spouse died before the sale or exchange, you can exclude up to \$500,000 of gain if:

- The sale or exchange is no later than 2 years after your spouse's death,

- Just before your spouse's death, both spouses met the use requirement of *Test 1*, at least one spouse met the ownership requirement of *Test 1*, and both spouses met *Test 2*, and

- You did not remarry before the sale or exchange.

You can choose to have the 5-year test period for ownership and use in *Test 1* suspended during any period you or your spouse serve outside the United States as a Peace Corps volunteer or serve on qualified official extended duty as a member of the

uniformed services or Foreign Service of the United States, as an employee of the intelligence community, or outside the United States as an employee of the Peace Corps. This means you may be able to meet *Test 1* even if, because of your service, you did not actually use the home as your main home for at least the required 2 years during the 5-year period ending on the date of sale.

You cannot exclude any gain if:

- You acquired your home in a like-kind exchange in which all or part of the gain was not recognized, and
- You sold or exchanged the home during the 5-year period beginning on the date you acquired it.

If you have to report the sale or exchange, report it on Form 8949. If the gain or loss is short-term, report it on line 1. If the gain or loss is long-term, report it on line 3. Check box C at the top of this Form 8949.

If you had a gain and can exclude part or all of it, enter "H" in column (b). Enter the amount of the exclusion as a negative number (in parentheses) in column (g). See the instructions for Form 8949, columns (b) and (g), later. Complete all columns.

See Pub. 523 for additional details, including how to figure and report any taxable gain if:

- You (or your spouse if married) used any part of the home for business or rental purposes after May 6, 1997, or
- There was a period of time after 2008 when the home was not your main home.

## Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income, collectibles gain (28% rate gain), or unrecaptured section 1250 gain. For details on 28% rate gain, see the instructions for line 18 of Schedule D. For details on unrecaptured section 1250 gain, see the instructions for line 19 of Schedule D.

## 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 Form 8949, Part I or Part II, with box C checked. 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 from 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 3 of Form 8949, and skip columns (b) through (d). In col-

umn (e), enter the excess of the total gain over the recapture amount. Leave columns (f) and (g) blank. Be sure to check box C at the top of this Form 8949.

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 Form 8949 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 you received a Form 1099-S for the transaction. Report the transaction on line 1 or line 3 of Form 8949, depending on how long you owned the home. Complete all columns. Because the loss is not deductible, enter "L" in column (b). Enter the difference between column (e) and column (f) as a positive amount in column (g). For example, if you entered \$5,000 in column (e) and \$6,000 in column (f), enter \$1,000 in column (g). Be sure to check box C at the top of this Form 8949.

## Capital Losses

You can deduct capital losses up to the amount of your capital gains plus \$3,000 (\$1,500 if married filing separately). You may be able to use capital losses that exceed this limit in future years. For details, see the instructions for line 21 of Schedule D. Be sure to report all of your capital gains and losses even if you cannot use all of your losses in 2011.

## 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 (that is, a bequest of a sum of money).
- An individual and a tax-exempt organization controlled by the individual or the individual's family.

Report a transaction that results in a nondeductible loss on line 1 or line 3 of Form 8949, depending on how long you held the property. Unless you received a Form 1099-B for the sale or exchange, check box C at the top of this Form 8949. Complete all columns. Because the loss is not deductible, enter "L" in column (b). Enter the amount of the nondeductible loss as a positive number in column (g). See the

instructions for Form 8949, columns (b) and (g), later.

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

**Example.** You sold land you held as an investment for 5 years to your brother for \$10,000. Your basis was \$15,000. On Form 8949, check box C at the top. Enter \$10,000 on Form 8949, line 3, column (e). Enter \$15,000 in column (f). Because the loss is not deductible, enter "L" in column (b) and \$5,000 (the difference between \$10,000 and \$15,000) in column (g). If this is your only transaction on this Form 8949, enter \$10,000 on Schedule D, line 10, column (e). Enter \$15,000 in column (f) and \$5,000 in column (g). In column (h), enter -0- (\$15,000 - \$10,000 - \$5,000).

**At-risk rules.** 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.

**Passive activity rules.** If the loss is allowable under the at-risk rules, it then may 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.
- 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.
- 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.
- Transfer of appreciated property to a political organization. See section 84.
- Transfer of property by a U.S. person to a foreign estate or trust. See section 684.
- If you give up your U.S. citizenship after June 16, 2008, you may be treated as having sold all your property for its fair market value on the day before you gave up your citizenship. This also applies to long-term U.S. residents who cease to be

lawful permanent residents after June 16, 2008. For details, exceptions, and rules for reporting these deemed sales, see Pub. 519 and Form 8854.

- 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 Form 8949, but any gain is reported as ordinary income on Form 4797.

- If qualified dividends that you reported on Form 1040, line 9b, or Form 1040NR, line 10b, include extraordinary dividends, any loss on the sale or exchange of the stock is a long-term capital loss to the extent of the extraordinary dividends. An extraordinary dividend is a dividend that equals or exceeds 10% (5% in the case of preferred stock) of your basis in the stock.

- 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.

- Load charges to acquire stock in a regulated investment company (including a mutual fund), which may not be taken into account in determining gain or loss on certain dispositions of the stock if reinvestment rights were exercised. See Pub. 550.

- The sale or exchange of S corporation stock or an interest in a trust held for more than 1 year, which may result in collectible gain (28% rate gain). See the instructions for line 18 of Schedule D.

- Gain or loss on the disposition of securities futures contracts. See Pub. 550.

- Gain on the constructive sale of certain appreciated financial positions. See Pub. 550.

- Certain constructive ownership transactions. Gain in excess of the gain you would have recognized if you had held a financial asset directly during the term of a derivative contract must be treated as ordinary income. See section 1260. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. See section 1260(b) for details, including how to figure the interest. Include the interest as an additional tax on Form 1040, line 60 (or Form 1040NR, line 59). Write "Section 1260(b) interest" and the amount of the interest to the left of line 60 (or Form 1040NR, line 59). This interest is not deductible.

- Gain or loss from the disposition of stock or other securities in an investment club. See Pub. 550.

## 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:

1. Buy substantially identical stock or securities,
2. Acquire substantially identical stock or securities in a fully taxable trade,
3. Enter into a contract or option to acquire substantially identical stock or securities, or
4. Acquire substantially identical stock or securities for your individual retirement arrangement (IRA) or Roth IRA.

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 (except in the case of (4) above).

If you received a Form 1099-B (or substitute statement), box 5 of that form will show any nondeductible wash sale loss if:

- The stock or securities sold were covered securities (defined in the instructions for Form 8949, column (f), later), and

- The substantially identical stock or securities you bought had the same CUSIP number as the stock or securities you sold and were bought in the same account as the stock or securities you sold.

However, you cannot deduct a loss from a wash sale even if it is not reported on Form 1099-B (or substitute statement). For more details on wash sales, see Pub. 550.

Report a wash sale transaction on line 1 or line 3 of Form 8949 with the appropriate box checked. Complete all columns. Enter "W" in column (b). Enter as a positive number in column (g) the amount of the loss not allowed. See the instructions for Form 8949, columns (b) and (g), later.

## Traders in Securities

You are a trader in securities if you are engaged in the business of buying and selling securities for your own account. To be engaged in business as a trader in securities, all of the following statements must be true.

- You must seek to profit from daily market movements in the prices of securities and not from dividends, interest, or capital appreciation.

- Your activity must be substantial.

- You must carry on the activity with continuity and regularity.

The following facts and circumstances should be considered in determining if your activity is a business.

- Typical holding periods for securities bought and sold.

- The frequency and dollar amount of your trades during the year.

- The extent to which you pursue the activity to produce income for a livelihood.

- The amount of time you devote to the activity.

You are considered an investor, and not a trader, if your activity does not meet the above definition of a business. It does not matter whether you call yourself a trader or a "day trader."

Like an investor, a trader must report each sale of securities (taking into account commissions and any other costs of acquiring or disposing of the securities) on Form 8949 or on an attached statement containing all the same information for each sale in a similar format. However, if a trader previously made the mark-to-market election (see below), each transaction is reported in Part II of Form 4797 instead of on Form 8949. Regardless of whether a trader reports his or her gains and losses on Form 8949 or Form 4797, the gain or loss from the disposition of securities is not taken into account when figuring net earnings from self-employment on Schedule SE. See the Instructions for Schedule SE for an exception that applies to section 1256 contracts.

The limitation on investment interest expense that applies to investors does not apply to interest paid or incurred in a trading business. A trader reports interest expense and other expenses (excluding commissions and other costs of acquiring or disposing of securities) from a trading business on Schedule C (instead of Schedule A).

A trader also may hold securities for investment. The rules for investors generally will apply to those securities. Allocate interest and other expenses between your trading business and your investment securities.

## Mark-To-Market Election for Traders

A trader may make an election under section 475(f) to report all gains and losses from securities held in connection with a trading business as ordinary income (or loss), including those from securities held at the end of the year. Securities held at the end of the year are "marked to market" by treating them as if they were sold (and reacquired) for fair market value on the last business day of the year. Generally, the election must be made by the due date (not including extensions) of the tax return for the year prior to the year for which the election becomes effective. To be effective for 2011, the election must have been made by April 18, 2011.

Starting with the year the election becomes effective, a trader reports all gains and losses from securities held in connec-

tion with the trading business, including securities held at the end of the year, in Part II of Form 4797. If you previously made the election, see the Instructions for Form 4797. For details on making the mark-to-market election for 2012, see Pub. 550 or Rev. Proc. 99-17, 1999-1 C.B. 503. You can find Rev. Proc. 99-17 starting on the bottom of page 52 of Internal Revenue Bulletin 1999-7 at [www.irs.gov/pub/irs-irbs/irb99-07.pdf](http://www.irs.gov/pub/irs-irbs/irb99-07.pdf).

If you hold securities for investment, you must identify them as such in your records on the day you acquired them (for example, by holding the securities in a separate brokerage account). Securities held for investment are not marked-to-market.

## 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.

**Example.** You think the value of XYZ stock will drop. You borrow 10 shares from your broker and sell them for \$100. This is a short sale. You later buy 10 shares for \$80 and deliver them to your broker to close the short sale. Your gain is \$20 (\$100 – \$80).

**Holding period.** 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.

**Reporting a short sale.** Report any short sale on Form 8949 in the year it closes.

If a short sale closed in 2011 but you did not get a 2011 Form 1099-B (or substitute statement) for it because you entered into it before 2011, report it on a Form 8949 with box C checked. In column (a), enter (for example) “100 sh. XYZ Co.–2010 short sale closed.”

## Gain or Loss From Options

Report on Form 8949 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 (d) and enter “EXPIRED” in column (e). If an option that was granted (written) expired, enter the expiration date in column (c) and enter “EXPIRED” in column (f). Fill in the other columns as appropriate. See Pub. 550 for details.

If a call option you sold was exercised and the option premium you received was not reflected in the sales price shown on the Form 1099-B (or substitute statement) you received, enter the premium as a positive number in column (g) of Form 8949. Enter “O” in column (b).

**Example.** For \$10, you sold Joe an option to buy one share of XYZ stock for \$80. Joe later exercised the option. Enter \$80 in column (e) of Form 8949. Enter “O” in column (b) and \$10 in column (g). Complete the other columns according to the instructions.

## Undistributed Capital Gains

Include on Schedule D, line 11, 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.

If there is an amount in box 1b, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet if you complete line 19 of Schedule D.

If there is an amount in box 1c, see *Exclusion of Gain on Qualified Small Business (QSB) Stock*, later.

If there is an amount in box 1d, include that amount on line 4 of the 28% Rate Gain Worksheet if you complete line 18 of Schedule D.

Include on Form 1040, line 71, or Form 1040NR, line 67, the tax paid as shown in box 2 of Form 2439. Also check the box for 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 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 generally 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 2011 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 Form 8949 on a timely filed return (including extensions) for the year of the sale. If your original return was filed on time, you can 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.

## Demutualization of Life Insurance Companies

Demutualization of a life insurance company occurs when a mutual life insurance

company changes to a stock company. If you were a policyholder or annuitant of the mutual company, you may have received either stock in the stock company or cash in exchange for your equity interest in the mutual company. The basis of your equity interest in the mutual company is considered to be zero.

If the demutualization transaction qualifies as a tax-free reorganization, no gain is recognized on the exchange of your equity interest in the mutual company for stock. The company can advise you if the transaction is a tax-free reorganization. Because the basis of your equity interest in the mutual company is considered to be zero, your basis in the stock received is zero. Your holding period for the new stock includes the period you held an equity interest in the mutual company. If you received cash in exchange for your equity interest, you must recognize a capital gain in an amount equal to the cash received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 3 of Form 8949. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1 of Form 8949. Be sure the appropriate box is checked at the top of Form 8949.

If the demutualization transaction does not qualify as a tax-free reorganization, you must recognize a capital gain in an amount equal to the cash and fair market value of the stock received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 3 of Form 8949. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1 of Form 8949. Be sure the appropriate box is checked at the top of Form 8949. Your holding period for the new stock begins on the day after you received the stock.

## Exclusion of Gain on Qualified Small Business (QSB) Stock

Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of QSB stock. The section 1202 exclusion applies only to QSB stock held for more than 5 years. The exclusion can be up to 60% for certain empowerment zone business stock. See *Empowerment Zone Business Stock*, later.

To be QSB stock, the stock must meet all of the following tests.

1. It must be stock in a C corporation (that is, not S corporation stock).
2. It must have been originally issued after August 10, 1993.
3. As of the date the stock was issued, the corporation was 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 predeces-

sor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.

4. 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 this 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.

5. During substantially all the time you held the stock:

- a. The corporation was a C corporation,
- b. 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
- c. 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.



**SSBIC.** A specialized small business investment company (SSBIC) is treated as having met test 5b.

**Definition of qualified business.** A qualified business is any business that is not one of the following.

- 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.
- A business whose principal asset is the reputation or skill of one or more employees.
- A banking, insurance, financing, leasing, investing, or similar business.
- A farming business (including the raising or harvesting of trees).
- A business involving the production of products for which percentage depletion can be claimed.
- A business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see Pub. 550 or section 1202.

### Empowerment Zone Business Stock

You generally can exclude up to 60% of your gain if you meet the following additional requirements.

1. The stock you sold or exchanged was stock in a corporation that qualified as an empowerment zone business during substantially all of the time you held the stock.

2. You acquired the stock after December 21, 2000.

Requirement 1 will still be met if the corporation ceased to qualify after the 5-year period that began on the date you acquired the stock. However, the gain that qualifies for the 60% exclusion cannot be more than the gain you would have had if you had sold the stock on the date the corporation ceased to qualify.

For more information about empowerment zone businesses, see section 1397C.

### 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, to qualify for the exclusion 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.

### How To Report

Report the sale or exchange of the QSB stock on Form 8949, Part II, with the appropriate box checked, as you would if you were not taking the exclusion. Then enter "S" in column (b) and enter the amount of the excluded gain as a negative number in column (g). Put it in parentheses to show it is negative. See the instructions for Form 8949, columns (b) and (g). Complete all remaining columns. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet; if you excluded 60% of the gain, enter  $\frac{2}{3}$  of the exclusion.

**Gain from Form 1099-DIV.** If you received a Form 1099-DIV with a gain in box 2c, 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 Form 8949, line 3, enter the name of the corporation whose stock was sold. In column (b), enter "S" and in column (g) enter the amount of the excluded gain as a negative number. See the instructions for Form 8949, columns (b) and (g), later. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet; if you excluded 60% of the gain, enter  $\frac{2}{3}$  of the exclusion.

**Gain from Form 2439.** If you received a Form 2439 with a gain in box 1c, 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 Form 8949, line 3, enter the name of the corporation whose stock was sold. In column (b), enter "S" and in column (g) enter the amount of the excluded gain as a negative number. See the instructions for Form 8949, columns (b) and (g), later. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet; if

you excluded 60% of the gain, enter  $\frac{2}{3}$  of the exclusion.

**Gain from an installment sale of QSB stock.** If all payments are not received in the year of sale, a sale of QSB stock that is not traded on an established securities market generally is treated as an installment sale and is reported on Form 6252. Figure the allowable section 1202 exclusion for the year by multiplying the total amount of the exclusion by a fraction, the numerator of which is the amount of eligible gain to be recognized for the tax year and the denominator of which is the total amount of eligible gain. In column (a) of Form 8949, line 3, enter the name of the corporation whose stock was sold. In column (b), enter "S" and in column (g) enter the amount of the allowable exclusion for the year as a negative number. See the instructions for Form 8949, columns (b) and (g), later. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion for the year on line 2 of the 28% Rate Gain Worksheet; if you excluded 60% of the gain, enter  $\frac{2}{3}$  of the allowable exclusion for the year.

**Alternative minimum tax.** You must enter 7% of your allowable exclusion for the year on line 13 of Form 6251.

### Rollover of Gain From QSB Stock

If you sold QSB stock (defined earlier) that you held for more than 6 months, you can elect to postpone gain if you buy other QSB stock during the 60-day period that began on the date of the sale. A pass-through entity also can 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 can elect to postpone gain if you, rather than the pass-through entity, buy the replacement QSB stock within the 60-day period. If you were a partner in a partnership that sold or bought QSB stock, see box 11 of the Schedule K-1 (Form 1065) sent to you by the partnership and Regulations section 1.1045-1.

You must recognize gain to the extent the sale proceeds are more than 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 can 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.

To make the election, report the sale on line 1 or line 3 of Form 8949 as you would if you were not making the election. Then enter "R" in column (b). Enter the amount of the postponed gain as a negative number in column (g). Put it in parentheses to show it is negative. See the instructions for Form 8949, columns (b) and (g), later. Complete all remaining columns.

## Rollover of Gain From Empowerment Zone Assets

If you sold a qualified empowerment zone asset that you held for more than 1 year, you may be able to elect to postpone part or all of the gain that you would otherwise include in income. If you make the election, the gain on the sale generally is recognized only to the extent, if any, that the amount realized on the sale is more than the cost of qualified empowerment zone assets (replacement property) you purchased during the 60-day period beginning on the date of the sale. The following rules apply.

- No portion of the cost of the replacement property may be taken into account to the extent the cost is taken into account to exclude gain on a different empowerment zone asset.
- The replacement property must qualify as an empowerment zone asset with respect to the same empowerment zone as the asset sold.
- You must reduce the basis of the replacement property by the amount of postponed gain.
- This election does not apply to any gain (a) treated as ordinary income or (b) attributable to real property, or an intangible asset, that is not an integral part of an enterprise zone business.
- The District of Columbia enterprise zone is not treated as an empowerment zone for this purpose.
- The election is irrevocable without IRS consent.

See section 1397C for the definition of empowerment zone and enterprise zone business. You can find out if your business is located within an empowerment zone by using the RC/EZ/EC Address Locator at [www.hud.gov/crlocator](http://www.hud.gov/crlocator).

Qualified empowerment zone assets are:

1. Tangible property, if:
  - a. You acquired the property after December 21, 2000,
  - b. The original use of the property in the empowerment zone began with you, and
  - c. Substantially all of the use of the property, during substantially all of the time that you held it, was in your enterprise zone business; and
2. Stock in a domestic corporation or a capital or profits interest in a domestic partnership, if:

a. You acquired the stock or partnership interest after December 21, 2000, solely in exchange for cash, from the corporation at its original issue (directly or through an underwriter) or from the partnership;

b. The business was an enterprise zone business (or a new business being organized as an enterprise zone business) as of the time you acquired the stock or partnership interest; and

c. The business qualified as an enterprise zone business during substantially all of the time you held the stock or partnership interest.

See section 1397B for more details.

**How to report.** Report the sale on Form 8949, line 3, as you would if you were not making the election. Then enter "R" in column (b), and enter the amount of the postponed gain as a negative number in column (g). Put it in parentheses to show it is negative. See the instructions for Form 8949, columns (b) and (g), later. Complete all remaining columns.

## Exclusion of Gain From DC Zone Assets

If you sold or exchanged a District of Columbia Enterprise Zone (DC Zone) asset that you acquired after 1997 and held for more than 5 years, you may be able to exclude the amount of qualified capital gain that you would otherwise include in income. The exclusion applies to an interest in, or property of, certain businesses operating in the District of Columbia.

**DC Zone asset.** A DC Zone asset is any of the following.

- DC Zone business stock.
- DC Zone partnership interest.
- DC Zone business property.

**Qualified capital gain.** Qualified capital gain is any gain recognized on the sale or exchange of a DC Zone asset that is a capital asset or property used in a trade or business. It does not include any of the following gains.

- Gain treated as ordinary income under section 1245.
- Section 1250 gain figured as if section 1250 applied to all depreciation rather than the additional depreciation.
- Gain attributable to real property, or an intangible asset, that is not an integral part of a DC Zone business.
- Gain from a related-party transaction. See *Sales and Exchanges Between Related Persons* in chapter 2 of Pub. 544.

See section 1400B for more details.

**How to report.** Report the sale or exchange on Form 8949, line 3, as you would if you were not taking the exclusion. Then enter "X" in column (b). Enter the amount of the exclusion as a negative number in column (g). Put it in parentheses to show it is negative. See the instructions for Form

8949, columns (b) and (g), later. Complete all remaining columns.

## Exclusion of Gain From Qualified Community Assets

If you sold or exchanged a qualified community asset that you acquired after 2001 and before 2010 and held for more than 5 years, you may be able to exclude the qualified capital gain that you would otherwise include in income. The exclusion applies to an interest in, or property of, certain renewal community businesses.

**Qualified community asset.** A qualified community asset is any of the following.

- Qualified community stock.
- Qualified community partnership interest.
- Qualified community business property.

**Qualified capital gain.** Qualified capital gain is any gain recognized on the sale or exchange of a qualified community asset but does not include any of the following.

- Gain treated as ordinary income under section 1245.
- Section 1250 gain figured as if section 1250 applied to all depreciation rather than the additional depreciation.

• Gain attributable to real property, or an intangible asset, that is not an integral part of a qualified community business.

• Gain from a related-party transaction. See *Sales and Exchanges Between Related Persons* in chapter 2 of Pub. 544.

See section 1400F for more details and special rules.

**How to report.** Report the sale or exchange on Form 8949, Part II, with the appropriate box checked, as you would if you were not taking the exclusion. Then enter "X" in column (b) and enter the amount of the exclusion as a negative number in column (g). Put it in parentheses to show it is negative. See the instructions for Form 8949, columns (b) and (g), later. Complete all remaining columns.

## Rollover of Gain From Publicly Traded Securities

You can postpone all or part of any gain from the sale of publicly traded securities by buying common stock or a partnership interest in a specialized small business investment company during the 60-day period that began on the date of the sale. See Pub. 550. Also see *How To Complete Form 8949, Columns (b) and (g)*, later.

## Rollover of Gain From Stock Sold to ESOPs or Certain Cooperatives

You can postpone all or part of any gain from the sale of qualified securities, held for at least 3 years, to an employee stock ownership plan (ESOP) or eligible worker-owned cooperative, if you buy

qualified replacement property. See Pub. 550. Also see *How To Complete Form 8949, Columns (b) and (g)*, later.

## Specific Instructions

### Form 8949

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 1099-S (or substitute statement) for the transaction. Report short-term gains or losses on line 1. Report long-term gains and losses on line 3.

Enter the details of each transaction on a separate line of Form 8949 (unless the *Exception to reporting each transaction on a separate line* described later applies to you). Use as many Forms 8949 as you need.

Use a separate Form 8949, Part I, for each of the following types of transactions.

1. Short-term transactions reported to you on Form 1099-B (or substitute statement) with an amount shown for cost or other basis **unless** the statement indicates that amount was not reported to the IRS. Check box A at the top of this page of Form 8949. If your substitute statement shows cost or other basis for the transaction but indicates it was **not** reported to the IRS, report that transaction on page 1 of a Form 8949 with box B, not box A, checked (see 2 below).

2. Short-term transactions reported to you on Form 1099-B (or substitute statement) without an amount shown for cost or other basis. Check box B at the top of this page of Form 8949. If your substitute statement shows cost or other basis for the transaction but indicates it was not reported to the IRS, report that transaction on page 1 of a Form 8949 with box B, not box A, checked.

3. Short-term transactions for which you did not receive a Form 1099-B (or substitute statement). Check box C at the top of page 1 of this Form 8949.

Use a separate Form 8949, Part II, for each of the following types of transactions.

1. Long-term transactions reported to you on Form 1099-B (or substitute statement) with an amount shown for cost or other basis **unless** the statement indicates that amount was not reported to the IRS. Check box A at the top of this page of Form 8949. If your substitute statement shows cost or other basis for the transaction but indicates it was **not** reported to the IRS, report that transaction on page 2 of a Form 8949 with box B, not box A, checked (see 2 below).

2. Long-term transactions reported to you on Form 1099-B (or substitute statement) without an amount shown for cost or

other basis. Check box B at the top of this page of Form 8949. If your substitute statement shows cost or other basis for the transaction but indicates it was not reported to the IRS, report that transaction on page 2 of a Form 8949 with box B, not box A, checked.

3. Long-term transactions for which you did not receive a Form 1099-B (or substitute statement). Check box C at the top of page 2 of this Form 8949.

Include on each Form 8949 only transactions described in the text for the box you check (A, B, or C). If you have more than one type of transaction (A, B, or C), complete a separate Form 8949 for each. Check only one box on each Form 8949. For example, if you check box A in Part I of one Form 8949, include on that Form 8949 only short-term gains and losses from transactions your broker reported to you on a Form 1099-B (or substitute statement) showing that basis was reported to the IRS. If you have other types of transactions, report those on a separate Form 8949 and check the box that applies.

Enter on Schedule D the combined totals from all your Forms 8949. Form 8949 and Schedule D explain exactly how to do this.

**Exception to reporting each transaction on a separate line.** Instead of reporting each of your transactions on a separate line of Form 8949, you can report them on an attached statement containing all the same information as Form 8949 and in a similar format. Use as many attached statements as you need. Enter the combined totals from all your attached statements on a Form 8949 with the appropriate box checked. For example, report on line 3 of a Form 8949 with box A checked all long-term gains and losses from transactions your broker reported to you on a statement showing that the basis of the property sold was reported to the IRS. If you have statements from more than one broker, report the totals from each broker on a separate line.

Do not enter “available upon request” and summary totals in lieu of reporting the details of each transaction on Form(s) 8949 or attached statements.

**E-file.** If you *e-file* your return but choose not to include your transactions on the electronic short-term capital gain (or loss) or long-term capital gain (or loss) records, you must attach Form 8949 (or a statement with the same information) to Form 8453 and mail the forms to the IRS.

**Charitable gift annuity.** If you are the beneficiary of a charitable gift annuity and receive a Form 1099-R showing an amount in box 3, report the box 3 amount on line 3 of a Form 8949 that has box C checked at the top. Enter “Form 1099-R” in column (a). Enter the box 3 amount in column (e).

**Canadian registered retirement plan.** If you are the beneficiary or annuitant of a

Canadian registered retirement plan, enter any amount from Form 8891, line 10d, on line 1 or line 3 (whichever applies) of a Form 8949 that has box C checked at the top. Enter “Form 8891” in column (a). Enter the line 10d amount in column (e).

**Other gains or losses where sales price or basis is not known.** If you have another gain or loss for which you do not know the sales price or basis (such as a long-term capital gain from Form 8621), enter a description of the gain or loss in column (a) of a Form 8949 that has box C checked at the top. If you have a gain, enter it in column (e). If you have a loss, enter it in column (f). Complete any other columns you can.

**Rounding off to whole dollars.** You can round off cents to whole dollars on your Form 8949. If you do round to whole dollars, you must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

### Column (a)—Description of Property

You can use stock ticker symbols or 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).

If you inherited the property from someone who died in 2010 and the executor of the decedent’s estate made the election to file Form 8939, also enter “INH-2010” in column (a).

### Column (b)—Code

In order to explain any adjustment to gain or loss in column (g), put the appropriate code in column (b). See *How To Complete Form 8949, Columns (b) and (g)*, later. Also see the instructions for column (g). If more than one code applies, enter all the codes that apply. Separate them by a space or a comma.

### Column (c)—Date Acquired

Enter in this column the date you acquired the asset. 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 acquired the stock or property delivered to the broker or lender to close the short sale.

The date acquired for an asset you held on January 1, 2001, for which you made an election to recognize any gain in a deemed sale is the date of the deemed sale and reacquisition.

If you disposed of property that you acquired by inheritance from someone who died before or after 2010, report the sale or exchange on line 3 and enter “INHERITED” in column (c) instead of the date you acquired the property. Also report the sale or exchange that way if you inherited the property from someone who died in



2010 and the executor of the decedent's estate did not elect to file Form 8939. If you inherited the property from someone who died in 2010 and the executor made the election to file Form 8939, also see the instructions for column (a) and see Pub. 4895 to see whether you should report the sale or exchange on line 1 or line 3.

If you sold a block of stock (or similar property) that you acquired through several different purchases, you may report the sale on one line and enter "VARIOUS" in column (c). 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 (d)—Date Sold**

Enter in this column the date you sold the asset. 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 delivered the stock or property to the broker or lender to close the short sale.

#### **Column (e)—Sales Price**

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 (e). 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 (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 (e) and (f).

#### **Column (f)—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 or involuntary conversion or in connection with a "wash sale," 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.

If you sold stock, adjust your basis by subtracting all the nondividend distributions you received before the sale. Also adjust your basis for any stock splits. See Pub. 550 for details.

If you elected to recognize gain on an asset held on January 1, 2001, your basis in

the asset is its closing market price or fair market value, whichever applies, on the date of the deemed sale and reacquisition, whether the deemed sale resulted in a gain or an unallowed loss.

You can use the average basis method to determine the basis of shares of stock if the shares are identical to each other, you acquired them at different prices and left them in an account with a custodian or agent, and either:

- They are shares in a mutual fund (or other RIC), or
- You acquired them after 2010 in connection with a dividend reinvestment plan (DRP).

Shares are identical if they have the same CUSIP number, except that shares of stock in a DRP are not identical to shares of stock that are not in a DRP, even if they have the same CUSIP number. If you are using the average basis method and received a Form 1099-B (or substitute statement) that shows an incorrect basis, enter "B" in column (b), enter the basis shown on Form 1099-B (or substitute statement) in column (f), and see *How To Complete Form 8949, Columns (b) and (g)*, later. For details on making the election and how to figure average basis, see Pub. 550.

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 who died before or after 2010 is generally the fair market value at the date of death. This is also the basis of property acquired from a decedent who died in 2010 if the executor of the decedent's estate did not elect to file Form 8939. See Pub. 551 for details. If you sold property that you inherited from someone who died in 2010 and the executor made the election to file Form 8939, see Pub. 4895.

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. See Pub. 550 for details.

If a charitable contribution deduction is allowable 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. See Pub. 544 for details.

For more details, see Pub. 551.

**Form 1099-B.** If the property you sold was a covered security, its basis should be shown in box 3 of the Form 1099-B (or substitute statement) you received from

your broker. Generally, a covered security is a security other than:

- A security you acquired before January 1, 2011,
- Stock in a mutual fund or other regulated investment company, or
- Stock you acquired through a dividend reinvestment plan.

If box 6 on Form 1099-B is checked, the property sold was not a covered security.

Enter the basis shown on Form 1099-B in column (f). If the basis shown on Form 1099-B is not correct, see *How To Complete Form 8949, Columns (b) and (g)*, later, for the adjustment you must make.

If no basis is shown on Form 1099-B (or substitute statement), enter the correct basis of the property in column (f).

#### **Column (g)—Adjustments to Gain or Loss**

Enter in this column any necessary adjustments to gain or loss. Enter negative amounts in parentheses. Also enter a code in column (b) to explain the adjustment. See *How To Complete Form 8949, Columns (b) and (g)*, later.

Include in this column any expense of sale, such as broker's fees, commissions, state and local transfer taxes, and option premiums, unless you reported the net sales price in column (e). If you include any expense of sale in this column, enter "O" in column (b).

**More than one code.** If you entered more than one code in column (b) on the same line, enter the net adjustment in column (g). For example, if one adjustment is \$5,000 and another is (\$1,000), enter \$4,000 (\$5,000 - \$1,000).

**Example.** You sold your main home in 2011 for \$320,000 and received a Form 1099-S showing the \$320,000 gross proceeds. The home's basis was \$100,000. You had selling expenses of \$20,000. Under the tests described in *Sale of Your Home*, earlier, you can exclude the entire \$200,000 gain from income. On Form 8949, Part II, check box C at the top. On line 3, complete columns (a), (c), and (d). Enter \$320,000 in column (e) and \$100,000 in column (f). Enter "H" in column (b). In column (g), enter \$220,000 (your \$200,000 exclusion + your selling expenses of \$20,000) as a negative number. Put it in parentheses to show it is negative. If this is your only transaction on this Form 8949, enter \$320,000 in column (e) on line 10 of Schedule D, \$100,000 in column (f), and \$220,000 in column (g). In column (h), enter -0- (\$320,000 - \$100,000 - \$220,000).

## How To Complete Form 8949, Columns (b) and (g)

For most transactions, you do not need to complete columns (b) and (g) and can leave them blank. You may need to complete columns (b) and (g) if you got a Form 1099-B or 1099-S that is incorrect, if you are excluding or postponing a capital gain, if you have a disallowed loss, or in certain other situations. Details are in the table below.

IF . . .	THEN enter this code in column (b) . . .	AND. . .
You received a Form 1099-B (or substitute statement) and the basis shown in box 3 is incorrect. . . .	B	Enter the basis shown on Form 1099-B (or substitute statement) in column (f).  If the correct basis is higher than the basis shown on Form 1099-B (or substitute statement), enter the difference between the two amounts as a negative number (in parentheses) in column (g).  If the correct basis is lower than the basis shown on Form 1099-B (or substitute statement), enter the difference between the two amounts as a positive number in column (g).
You received a Form 1099-B (or substitute statement) and the type of gain or loss (short term or long term) shown in box 8 is incorrect . . . .	T	Enter -0- in column (g) unless an adjustment is required because of another code. Report the gain or loss in the correct Part of Form 8949.
You received a Form 1099-B or 1099-S as a nominee for the actual owner of the property. . . .	N	Report the transaction on Form 8949 as you would if you were the actual owner, but enter any resulting gain as a negative adjustment (in parentheses) in column (g) or any resulting loss as a positive adjustment in column (g). However, if you received capital gain distributions as a nominee, report them instead as described under <i>Capital Gain Distributions</i> , earlier.
You sold or exchanged your main home at a gain, must report the sale or exchange on Form 8949, and can exclude some or all of the gain. . . .	H	Report the sale or exchange on Form 8949 as you would if you were not taking the exclusion. Then enter the amount of excluded (nontaxable) gain as a negative number (in parentheses) in column (g). See the example in the instructions for Form 8949, column (g).
You sold or exchanged qualified small business stock and can exclude part of the gain. . . .	S	Report the sale or exchange on Form 8949 as you would if you were not taking the exclusion. Then enter the amount of the exclusion as a negative number (in parentheses) in column (g).
You can exclude all or part of your gain under the rules explained earlier in these instructions for DC Zone assets or qualified community assets. . . .	X	Report the sale or exchange on Form 8949 as you would if you were not taking the exclusion. Then enter the amount of the exclusion as a negative number (in parentheses) in column (g).
You are electing to postpone all or part of your gain under the rules explained earlier in these instructions for rollover of gain from QSB stock, empowerment zone assets, publicly traded securities, or stock sold to ESOPs or certain cooperatives. . . .	R	Report the sale or exchange on Form 8949 as you would if you were not making the election. Then enter the amount of postponed gain as a negative number (in parentheses) in column (g).
You have a nondeductible loss from a wash sale. . . .	W	Enter the amount of the nondeductible loss as a positive number in column (g). See <i>Wash Sales</i> , earlier, for details.
You have a nondeductible loss other than a loss indicated by code W. . . .	L	Enter the amount of the nondeductible loss as a positive number in column (g). See the example under <i>Nondeductible Losses</i> , earlier.
You include any expense of sale or certain option premiums in column (g) or you have an adjustment not explained above in this column. . . .	O	Enter your expenses of sale or the appropriate adjustment amount in column (g). Enter any expenses of sale as a negative number (in parentheses). See the instructions for Form 8949, column (g). If you sold a call option and it was exercised, see <i>Gain or Loss From Options</i> , earlier, for information about reporting certain option premiums.
None of the other statements in this column apply. . .	Leave columns (b) and (g) blank.	

### Schedule D

Complete all necessary pages of Form 8949 before you complete line 1, 2, 3, 8, 9, or 10 of Schedule D.

#### Rounding Off to Whole Dollars

You can round off cents to whole dollars on your Schedule D. If you do round to whole dollars, you must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the

next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

#### Lines 1, 2, 3, 8, 9, and 10, column (h)—Gain or Loss

Figure gain or loss on each line. First, subtract cost or other basis (column (f)) from

sales price (column (e)). Then take into account any adjustments in column (g). Enter the gain or loss in column (h). Enter negative amounts in parentheses.

**Example 1.** Column (e) is \$6,000 and column (f) is (\$2,000). Enter \$4,000 in column (h).

**Example 2.** Column (e) is \$6,000 and column (f) is (\$8,000). Enter (\$2,000) in column (h).

Use this worksheet to figure your capital loss carryovers from 2010 to 2011 if your 2010 Schedule D, line 21, is a loss and (a) that loss is a smaller loss than the loss on your 2010 Schedule D, line 16, or (b) the amount on your 2010 Form 1040, line 41 (or your 2010 Form 1040NR, line 39, if applicable) is less than zero. Otherwise, you do not have any carryovers.

If you and your spouse once filed a joint return and are filing separate returns for 2011, any capital loss carryover from the joint return can be deducted only on the return of the spouse who actually had the loss.

1. Enter the amount from your 2010 Form 1040, line 41, or your 2010 Form 1040NR, line 39. If a loss, enclose the amount in parentheses . . . . .	1.	<input type="text"/>
2. Enter the loss from your 2010 Schedule D, line 21, as a positive amount . . . . .	2.	<input type="text"/>
3. Combine lines 1 and 2. If zero or less, enter -0- . . . . .	3.	<input type="text"/>
4. Enter the <b>smaller</b> of line 2 or line 3 . . . . .	4.	<input type="text"/>
<b>If line 7 of your 2010 Schedule D is a loss, go to line 5; otherwise, enter -0- on line 5 and go to line 9.</b>		
5. Enter the loss from your 2010 Schedule D, line 7, as a positive amount . . . . .	5.	<input type="text"/>
6. Enter any gain from your 2010 Schedule D, line 15. If a loss, enter -0- . . . . .	6.	<input type="text"/>
7. Add lines 4 and 6 . . . . .	7.	<input type="text"/>
8. <b>Short-term capital loss carryover for 2011.</b> Subtract line 7 from line 5. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 6 . . . . .	8.	<input type="text"/>
<b>If line 15 of your 2010 Schedule D is a loss, go to line 9; otherwise, skip lines 9 through 13.</b>		
9. Enter the loss from your 2010 Schedule D, line 15, as a positive amount . . . . .	9.	<input type="text"/>
10. Enter any gain from your 2010 Schedule D, line 7. If a loss, enter -0- . . . . .	10.	<input type="text"/>
11. Subtract line 5 from line 4. If zero or less, enter -0- . . . . .	11.	<input type="text"/>
12. Add lines 10 and 11 . . . . .	12.	<input type="text"/>
13. <b>Long-term capital loss carryover for 2011.</b> Subtract line 12 from line 9. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 14 . . . . .	13.	<input type="text"/>

**Example 3.** Column (e) is \$6,000, column (f) is (\$2,000), and column (g) is (\$1,000). Enter \$3,000 in column (h).

**Line 18**

If you checked “Yes” on line 17, complete the 28% Rate Gain Worksheet in these instructions if either of the following apply for 2011.

- You reported in Part II of Form 8949 a section 1202 exclusion from the eligible gain on qualified small business stock (see

*Exclusion of Gain on Qualified Small Business (QSB) Stock, earlier).*

- You reported in Part II of Form 8949 a collectibles gain or (loss). A collectibles gain or (loss) is any long-term gain or deductible long-term 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, al-

coholic beverages, and certain other tangible property.

Include on the worksheet any gain (but not loss) from the sale or exchange of an interest in a partnership, S corporation, or trust held for more than 1 year and attributable to unrealized appreciation of collectibles. For details, see Regulations section 1.1(h)-1. Also, attach the statement required under Regulations section 1.1(h)-1(e).

**28% Rate Gain Worksheet—Line 18**

1. Enter the total of all collectibles gain or (loss) from items you reported on Form 8949, line 3 . . . . .	1.	<input type="text"/>
2. Enter as a positive number the amount of any section 1202 exclusion you reported in column (g) of Form 8949, line 3, with code “S” in column (b), for which you excluded 50% of the gain, plus 2/3 of any section 1202 exclusion you reported in column (g) of Form 8949, line 3, with code “S” in column (b), for which you excluded 60% of the gain . . . . .	2.	<input type="text"/>
3. Enter the total of all collectibles gain or (loss) from Form 4684, line 4 (but only if Form 4684, line 15, is more than zero); Form 6252; Form 6781, Part II; and Form 8824 . . . . .	3.	<input type="text"/>
4. Enter the total of any collectibles gain reported to you on: <ul style="list-style-type: none"> <li>• Form 1099-DIV, box 2d;</li> <li>• Form 2439, box 1d; and</li> <li>• Schedule K-1 from a partnership, S corporation, estate, or trust.</li> </ul>	4.	<input type="text"/>
5. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), box 11, code C . . . . .	5.	<input type="text"/>
6. If Schedule D, line 7, is a (loss), enter that (loss) here. Otherwise, enter -0- . . . . .	6.	<input type="text"/>
7. Combine lines 1 through 6. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 18 . . . . .	7.	<input type="text"/>

## Line 19

If you checked "Yes" on line 17, complete the Unrecaptured Section 1250 Gain Worksheet in these instructions if any of the following apply for 2011.

- You sold or otherwise disposed of section 1250 property (generally, real property that you depreciated) held more than 1 year.
- You received installment payments 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."
- 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."
- 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 for each installment sale of trade or business property held more than 1 year.

**Step 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 your 2011 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

**Step 2.** Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2011 Form 4797 (or

the comparable line of Form 4797 for the year of sale) for the property. 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. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2011 as the smaller of (a) the amount from line 26 or line 37 of your 2011 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured

## Unrecaptured Section 1250 Gain Worksheet—Line 19

Keep for Your Records



If you are not reporting a gain on Form 4797, line 7, skip lines 1 through 9 and go to line 10.

1. If you have a section 1250 property in Part III of Form 4797 for which you made an entry in Part I of Form 4797 (but not on Form 6252), enter the <b>smaller</b> of line 22 or line 24 of Form 4797 for that property. If you did not have any such property, go to line 4. 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 a Schedule 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 <b>smaller</b> of line 6 or the gain 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 amount of any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain (see instructions) . . . . .	10.	
11. Enter the total of any amounts reported to you as "unrecaptured section 1250 gain" on a Schedule K-1, Form 1099-DIV, or Form 2439 from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company) or in connection with a Form 1099-R . . . . .	11.	
12. Enter the total of any unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year for which you did not make an entry in Part I of Form 4797 for the year of sale (see instructions) . . . . .	12.	
13. Add lines 9 through 12 . . . . .	13.	
14. If you had any section 1202 gain or collectibles gain or (loss), enter the total of lines 1 through 4 of the <b>28% Rate Gain Worksheet</b> . Otherwise, enter -0- . . . . .	14.	
15. Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0- . . . . .	15.	( )
16. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), box 11, code C* . . . . .	16.	( )
17. Combine lines 14 through 16. If the result is a (loss), enter it as a positive amount. If the result is zero or a gain, enter -0- . . . . .	17.	
18. <b>Unrecaptured section 1250 gain.</b> Subtract line 17 from line 13. If zero or less, enter -0-. If more than zero, enter the result here and on Schedule D, line 19 . . . . .	18.	

\*If you are filing Form 2555 or 2555-EZ (relating to foreign earned income), see the footnote in the Foreign Earned Income Tax Worksheet in the Form 1040 instructions before completing this line.

section 1250 gain for those payments to reduce the total unreaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

**Line 10.** Include on line 10 your share of the partnership's unreaptured 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. For details, see Regulations section 1.1(h)-1. Also attach the statement required under Regulations section 1.1(h)-1(e).

**Line 12.** An example of an amount to include on line 12 is unreaptured section 1250 gain from the sale of a vacation home you previously used as a rental property but converted to personal use prior to the sale. To figure the amount to enter on line 12, follow the applicable instructions below.

**Installment sales.** To figure the amount to include on line 12, follow the steps below for each installment sale of property held more than 1 year for which you did not make an entry in Part I of your Form 4797 for the year of sale.

- Step 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 your 2011 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

- Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2011 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unreaptured 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 unreaptured section 1250 gain until the total unreaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unreaptured section 1250 gain for installment payments received in 2011 as the smaller of (a) the amount from line 26 or line 37 of your 2011 Form 6252, whichever applies, or (b) the amount of unreaptured section 1250 gain remaining to be reported. This amount is generally the total unreaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unreaptured section 1250 gain, use only the amount you chose to treat as unreaptured section 1250 gain for those payments to reduce the total unreaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 12.

**Other sales or dispositions of section 1250 property.** For each sale of property held more than 1 year (for which you did

not make an entry in Part I of Form 4797), 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 Form 4797 for the property. Next, reduce that amount by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of Form 4797 for the property. The result is the total unreaptured section 1250 gain for the sale. Include this amount on line 12.

## Line 21

You have a capital loss carryover from 2011 to 2012 if you have a loss on line 16 and either:

- That loss is more than the loss on line 21, or
- The amount on Form 1040, line 41 (or Form 1040NR, line 39, if applicable), is less than zero.

To figure any capital loss carryover to 2012, you will use the Capital Loss Carryover Worksheet in the 2012 Instructions for Schedule D. If you want to figure your carryover to 2012 now, see Pub. 550.



*You will need a copy of your 2011 Form 1040 and Schedule D to figure your capital loss carryover to 2012.*



Complete this worksheet only if line 18 or line 19 of Schedule D is more than zero. Otherwise, complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040, line 44 (or in the Instructions for Form 1040NR, line 42) to figure your tax.

**Exception:** Do not use the Qualified Dividends and Capital Gain Tax Worksheet or this worksheet to figure your tax if:

- Line 15 or line 16 of Schedule D is zero or less and you have no qualified dividends on Form 1040, line 9b (or Form 1040NR, line 10b); or
- Form 1040, line 43 (or Form 1040NR, line 41) is zero or less.

Instead, see the instructions for Form 1040, line 44 (or Form 1040NR, line 42).

1.	Enter your taxable income from Form 1040, line 43 (or Form 1040NR, line 41). (However, if you are filing Form 2555 or 2555-EZ (relating to foreign earned income), enter instead the amount from line 3 of the Foreign Earned Income Tax Worksheet in the Instructions for Form 1040, line 44) . . . . .	1.	<input type="text"/>
2.	Enter your qualified dividends from Form 1040, line 9b (or Form 1040NR, line 10b) . . . . .	2.	<input type="text"/>
3.	Enter the amount from Form 4952 (used to figure investment interest expense deduction), line 4g . . . . .	3.	<input type="text"/>
4.	Enter the amount from Form 4952, line 4e* . . . . .	4.	<input type="text"/>
5.	Subtract line 4 from line 3. If zero or less, enter -0- . . . . .	5.	<input type="text"/>
6.	Subtract line 5 from line 2. If zero or less, enter -0-*** . . . . .	6.	<input type="text"/>
7.	Enter the <b>smaller</b> of line 15 or line 16 of Schedule D . . . . .	7.	<input type="text"/>
8.	Enter the <b>smaller</b> of line 3 or line 4 . . . . .	8.	<input type="text"/>
9.	Subtract line 8 from line 7. If zero or less, enter -0-*** . . . . .	9.	<input type="text"/>
10.	Add lines 6 and 9 . . . . .	10.	<input type="text"/>
11.	Add lines 18 and 19 of Schedule D** . . . . .	11.	<input type="text"/>
12.	Enter the <b>smaller</b> of line 9 or line 11 . . . . .	12.	<input type="text"/>
13.	Subtract line 12 from line 10 . . . . .	13.	<input type="text"/>
14.	Subtract line 13 from line 1. If zero or less, enter -0- . . . . .	14.	<input type="text"/>
15.	Enter: <ul style="list-style-type: none"> <li>• \$34,500 if single or married filing separately;</li> <li>• \$69,000 if married filing jointly or qualifying widow(er); or</li> <li>• \$46,250 if head of household</li> </ul> } . . . . .	15.	<input type="text"/>
16.	Enter the <b>smaller</b> of line 1 or line 15 . . . . .	16.	<input type="text"/>
17.	Enter the <b>smaller</b> of line 14 or line 16 . . . . .	17.	<input type="text"/>
18.	Subtract line 10 from line 1. If zero or less, enter -0- . . . . .	18.	<input type="text"/>
19.	Enter the <b>larger</b> of line 17 or line 18 . . . . .	19.	<input type="text"/>
20.	Subtract line 17 from line 16. This amount is taxed at 0%. . . . .	20.	<input type="text"/>
<b>If lines 1 and 16 are the same, skip lines 21 through 33 and go to line 34. Otherwise, go to line 21.</b>			
21.	Enter the <b>smaller</b> of line 1 or line 13 . . . . .	21.	<input type="text"/>
22.	Enter the amount from line 20 (if line 20 is blank, enter -0-) . . . . .	22.	<input type="text"/>
23.	Subtract line 22 from line 21. If zero or less, enter -0- . . . . .	23.	<input type="text"/>
24.	Multiply line 23 by 15% (.15) . . . . .	24.	<input type="text"/>
<b>If Schedule D, line 19, is zero or blank, skip lines 25 through 30 and go to line 31. Otherwise, go to line 25.</b>			
25.	Enter the <b>smaller</b> of line 9 above or Schedule D, line 19 . . . . .	25.	<input type="text"/>
26.	Add lines 10 and 19 . . . . .	26.	<input type="text"/>
27.	Enter the amount from line 1 above . . . . .	27.	<input type="text"/>
28.	Subtract line 27 from line 26. If zero or less, enter -0- . . . . .	28.	<input type="text"/>
29.	Subtract line 28 from line 25. If zero or less, enter -0- . . . . .	29.	<input type="text"/>
30.	Multiply line 29 by 25% (.25) . . . . .	30.	<input type="text"/>
<b>If Schedule D, line 18, is zero or blank, skip lines 31 through 33 and go to line 34. Otherwise, go to line 31.</b>			
31.	Add lines 19, 20, 23, and 29 . . . . .	31.	<input type="text"/>
32.	Subtract line 31 from line 1 . . . . .	32.	<input type="text"/>
33.	Multiply line 32 by 28% (.28) . . . . .	33.	<input type="text"/>
34.	Figure the tax on the amount on <b>line 19</b> . If the amount on line 19 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 19 is \$100,000 or more, use the Tax Computation Worksheet . . . . .	34.	<input type="text"/>
35.	Add lines 24, 30, 33, and 34 . . . . .	35.	<input type="text"/>
36.	Figure the tax on the amount on <b>line 1</b> . If the amount on line 1 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 1 is \$100,000 or more, use the Tax Computation Worksheet . . . . .	36.	<input type="text"/>
37.	<b>Tax on all taxable income (including capital gains and qualified dividends).</b> Enter the <b>smaller</b> of line 35 or line 36. Also include this amount on Form 1040, line 44 (or Form 1040NR, line 42). (If you are filing Form 2555 or 2555-EZ, do not enter this amount on Form 1040, line 44. Instead, enter it on line 4 of the Foreign Earned Income Tax Worksheet in the Form 1040 instructions) . . . . .	37.	<input type="text"/>

\*If applicable, enter instead the smaller amount you entered on the dotted line next to line 4e of Form 4952.

\*\*If you are filing Form 2555 or 2555-EZ, see the footnote in the Foreign Earned Income Tax Worksheet in the Instructions for Form 1040, line 44, before completing this line.