



The New Kid in Town: Form 8949 Replaces the Schedule D Gain/Loss Worksheet



IRS Circular 230 Notice

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Form 1099B

For 2011 there are four 1099Bs

- Covered Securities - Short – Term gain/Loss
- Covered Securities – Long – Term gain/loss
- Covered Securities – Short Sales
- Uncovered Securities

Covered Securities: Short-Term

2011 Proceeds From Broker and Barter Exchange Transactions		1099-B
		Amount
1a	Date of Sale or Exchange	Various
1b	Date of acquisition	Various
2	Stocks, bonds , etc. (gross proceeds less commissions & options premium)	###
3	Cost or other basis	###
4	Federal Income Tax Withheld	###
5	Wash sale loss disallowed	###
6	Covered/Noncovered	Covered
8	Type of Gain or Loss	Short-Term
9	Description	Various
Transactions individually reported to the IRS.		

Covered Securities: Long-Term

2011 Proceeds From Broker and Barter Exchange Transactions		1099-B
		Amount
1a	Date of Sale or Exchange	Various
1b	Date of acquisition	Various
2	Stocks, bonds , etc. (gross proceeds less commissions & options premium)	###
3	Cost or other basis	###
4	Federal Income Tax Withheld	###
5	Wash sale loss disallowed	###
6	Covered/Noncovered	Covered
8	Type of Gain or Loss	Long-Term
9	Description	Various
Transactions individually reported to the IRS.		

Covered Securities: Short Sales

2011 Proceeds From Broker and Barter Exchange Transactions		1099-B
		Amount
1a	Date of Sale or Exchange	Various
1b	Date of acquisition	Various
2	Stocks, bonds , etc. (gross proceeds less commissions & options premium)	###
3	Cost or other basis	###
4	Federal Income Tax Withheld	###
5	Wash sale loss disallowed	###
6	Covered/Noncovered	Covered
8	Type of Gain or Loss	Short-Term
9	Description	Various
Transactions individually reported to the IRS.		

Uncovered Securities

2011 Proceeds From Broker and Barter Exchange Transactions		1099-B
		Amount
1a	Date of Sale or Exchange	Various
1b	Date of acquisition	Various
2	Stocks, bonds , etc. (gross proceeds less commissions & options premium)	###
3	Cost or other basis	###
4	Federal Income Tax Withheld	###
5	Wash sale loss disallowed	###
6	Covered/Noncovered	Noncovered
8	Type of Gain or Loss	Various
9	Description	Various
10	Profit or (loss) realized in 2011 on closed contracts	###
13	Aggregate profit or (loss) on contracts	###
Transactions individually reported to the IRS.		



Covered Securities

Stocks and ADRs purchased after 1/1/11

- Beginning in 2012 – mutual funds

New Information for Covered Securities

- Date of acquisition (Box 1b)
- Cost or other basis (Box 3)
- Wash sale loss disallowed (Box 5)
- Check if non covered security (Box 6)
- Type of gain or loss: short-term/long-term (Box 8)



Basis Adjustments

- **Corporate Actions**
 - Stock dividends, stocks splits, mergers, spin-offs
 - Corporate actions in 2011 and after will included in the adjusted basis reported for covered securities.
- **Non dividend Distributions**
 - Generally treated as a return of capital.
 - This means that the distribution is not currently taxable but decreases the basis of the stock.
 - Non dividend distributions in 2011 and after will be a part of adjusted basis as reported on 1099B for covered securities.



Form 1099B

Things to watch for

- Open wash sales at 1/1/11
- Open short sales at 1/1/11
- Executions of pre-2011 options

Currency Transactions

- No currency gain/loss is reported on Form 1099B. Currency gain/loss goes on line 21 of Form 1040 and is treated as ordinary income.

Securities purchased/sold in other currencies

- Reported on 1099B using the spot exchange rate.



New Form 8949

- Form 8949 gives all transaction details for Schedule D
 - Schedule D is now a summary page
- Form 8949 Worksheet replaces the old Gain/Loss Worksheet

Form **8949**

Sales and Other Dispositions of Capital Assets

OMB No. 1545-0074

Department of the Treasury
Internal Revenue Service (IRS)

- ▶ See Instructions for Schedule D (Form 1040).
- ▶ For more information about Form 8949, see www.irs.gov/form8949
- ▶ Attach to Schedule D to list your transactions for lines 1, 2, 3, 8, 9, and 10.

2011
Attachment
Sequence No. **12A**

Name(s) shown on return

Your social security number

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

Note: You must check one of the boxes below. Complete a separate Form 8949, page 1, for each box that is checked.

***Caution.** Do not complete column (b) or (g) until you have read the instructions for those columns (see the Instructions for Schedule D (Form 1040)). Columns (b) and (g) do not apply for most transactions and should generally be left blank.

- (A)** Short-term transactions reported on Form 1099-B with basis reported to the IRS
 (B) Short-term transactions reported on Form 1099-B but basis not reported to the IRS
 (C) Short-term transactions for which you cannot check box A or B

	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Code, if any, for column (g)*	(c) Date acquired (Mo., day, yr.)	(d) Date sold (Mo., day, yr.)	(e) Sales price (see instructions)	(f) Cost or other basis (see instructions)	(g) Adjustments to gain or loss, if any*
1							
2	Totals. Add the amounts in columns (e) and (f). Also, combine the amounts in column (g). Enter here and include on Schedule D, line 1 (if box A above is checked), line 2 (if box B above is checked), or line 3 (if box C above is checked) ▶				2		



Form 8949 (2011)

 Attachment Sequence No. **12A** Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side.

Your social security number

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year
Note: You must check one of the boxes below. Complete a separate Form 8949, page 2, for each box that is checked.

***Caution.** Do not complete column (b) or (g) until you have read the instructions for those columns (see the Instructions for Schedule D (Form 1040)). Columns (b) and (g) do not apply for most transactions and should generally be left blank.

 (A) Long-term transactions reported on Form 1099-B with basis reported to the IRS
 (B) Long-term transactions reported on Form 1099-B but basis not reported to the IRS
 (C) Long-term transactions for which you cannot check box A or B

	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Code, if any, for column (g)*	(c) Date acquired (Mo., day, yr.)	(d) Date sold (Mo., day, yr.)	(e) Sales price (see instructions)	(f) Cost or other basis (see instructions)	(g) Adjustments to gain or loss, if any*	
3								
4	Totals. Add the amounts in columns (e) and (f). Also, combine the amounts in column (g). Enter here and include on Schedule D, line 8 (if box A above is checked), line 9 (if box B above is checked), or line 10 (if box C above is checked) ▶							4

 Form **8949** (2011)

Calculating Gain or loss on Form 8949

Taxable Gain or loss for individual transactions is not calculated on Form 8949.

To calculate gain or loss:

**Column E (sale proceeds) – Column F (cost basis) ± Column G (adjustments) =
Gain or loss**



Form 8949

- Potentially 6 forms in each return
 - Short-term gains/losses for covered securities
 - Short-term gains/losses for uncovered securities with proceeds reported to IRS
 - Short-term gains/losses for uncovered securities with proceeds not reported to IRS
 - Open shorts on 1/1/11
 - Options trades
 - Long-term gains/losses for covered securities
 - Long-term gains/losses for uncovered securities with proceeds reported to IRS
 - Long-term gains/losses for uncovered securities with proceeds not reported to IRS



Form 1099B/8949

- **Date of Acquisition/Disposition**
 - The trade date and not the settlement date is reported.
- **Basis Information**
 - The basis reported on Form 1099B for covered securities will be adjusted for certain events
 - Corporate Actions
 - Non-dividend distributions: Generally treated as a return of capital
 - Reported wash sales (covered below)
 - Related options positions opened during 2011.
 - Additional adjustments to basis will be on the Form 8949 Worksheet.
 - Older wash sales, options positions opened before 2011, but executed during 2011.



Form 1099B/8949

- Holding Period
 - Holding period for covered securities in on Form 1099B.
 - Long-term capital gains rate applies to holding period of at least one year and one day.
 - Holding period may be corrected on the Form 8949 worksheet.
 - Uncovered wash sales may extend holding period.
- Short sales
 - Now reported when the short is covered.
 - Previously short sales were reported based on the time of the sale. All short sales open at the end of 2010 have already been reported and will not be reported on Form 1099B.



Form 1099B/8949

Wash Sales

- Some disallowed losses due to wash sales will be reported on 1099B.
 - Only if the sale is of a covered security and the purchase and sale are of identical securities.
 - Adjusted basis will be reported on Form 1099B.
 - Wash sales in uncovered securities will be on the Form 8949 worksheet.
 - Adjusted basis will not be reported on 1099B, but will be on the Form 8949 Worksheet.

Short sales against the box

- Treated as constructive sale for appreciated assets. Gain will be recognized, but not loss.
- No longer any potential benefits to taxpayer.
- Generally, IB does not allow.



Form 8949 Worksheet

- It's a worksheet that the customer uses to calculate his capital gains for Schedule D
- Allows customers to include information that is missing or incorrect on 1099B
 - Uncovered securities
 - Securities not subject to 1099B reporting
 - Options
 - Collectibles, homes
- Uses letter codes to explain adjustments to 1099B information.
 - For example, basis or holding period reported on 1099B is not correct.



Form 8949 Worksheet

- ❑ The following codes are used in column (b) of the Form 8949 to explain discrepancies between amounts reported on Form 1099B and Form 8949. Adjustments are reported in column (g).
 - **Code B:** the basis reported on 1099B is incorrect.
 - **Code O:** The proceeds reported on Form 1099B is incorrect.
 - **Code W:** The customer has a nondeductible loss from an unreported wash sale.
 - **Code T:** the type of gain or loss (short-term or long-term) reported on Form 1099B is incorrect.



Differences Statements/1099/8949

Wash Sales

- Statements: Statement only reports wash sales where all relevant trades took place during 2011. This misses wash sales which involve trades in December 2010 or January 2012
- 8949 Worksheet: Will be adjusted to include these wash sales.



Differences Statements/1099/8949

□ Example

- Buy 100 Shares of ABC on November 15, 2010 for \$10 per share (\$1,000)
- Sell 100 Shares of ABC on March 15, 2011 \$8 per share (\$800)
- Buy 100 Shares of ABC on March 30, 2011 for \$7 per share (\$700)
- Wash sale loss disallowed -\$200
- March 30, purchase has adjusted basis equal to purchase price (\$700) plus wash sale loss (\$200) or \$900.
- Holding period includes November 15, 2010 to March 15, 2011.



Differences Statements/1099/8949

Short Sales:

- Statements show the date of the sale
- 1099B/8949 Worksheet will show the date of purchase (cover) as the date of disposition.
- This is the relevant date to determine holding period, but may be confusing as to when the sale took place.



Differences Statements/1099/8949

- ❑ Cost basis, holding period and wash sale information for uncovered securities.
- ❑ Currency Translation for Foreign Securities
 - Statements use foreign currency amounts which are marked to market daily
 - » Doesn't represent tax gain or loss
 - 1099B/8949 worksheet will value at the spot rate when securities is purchased and again spot rate when security is sold to calculate gain or loss



Differences Statements/1099/8949

- Realized gain/loss shown on monthly statements is only for that month.
- Year-to-date realized gain/loss is found on the daily statement for the last day of the month.
 - So the last daily statement of the year has the gain/loss for the year
- Gain or loss is not reported on 1099 and is not on the Form 8949 Worksheet.



Section 1256 Contracts

- Futures, foreign currency contracts and non-equity options
 - Futures and options on commodities, indexes
 - Does not include options on stocks or single-stock futures.
- Marked to market daily with gain or loss recognized
- 60% of gain is taxes as long-term capital gains and 40% as short-term
- We report the aggregate amount on Box 13 of the 1099B for non covered securities.



Turbo Tax

- ❑ Our files can be used on desktop (CD) version, but not web version.
 - Web version supports fewer than 500 trades.
- ❑ Still working on exact format. Will either be an excel or a text file as well as a pdf.