

# Publication 550

## Investment Income and Expenses

(Including Capital Gains and Losses)

For use in preparing

**2022** Returns

Volume 9 of 9



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## Ways to check on the status of your refund.

- Go to [IRS.gov/Refunds](https://www.irs.gov/Refunds).
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.

**Note.** The IRS can't issue refunds before mid-February for returns that claimed the EIC or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.

**Making a tax payment.** Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for information on how to make a payment using any of the following options.

- [\*IRS Direct Pay\*](#): Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.

- [\*Debit or Credit Card\*](#): Choose an approved payment processor to pay online or by phone.
- [\*Electronic Funds Withdrawal\*](#): Schedule a payment when filing your federal taxes using tax return preparation software or through a tax professional.
- [\*Electronic Federal Tax Payment System\*](#): Best option for businesses. Enrollment is required.
- [\*Check or Money Order\*](#): Mail your payment to the address listed on the notice or instructions.
- [\*Cash\*](#): You may be able to pay your taxes with cash at a participating retail store.
- [\*Same-Day Wire\*](#): You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

**Note.** The IRS uses the latest encryption technology to ensure that the electronic payments you make online, by phone, or from a mobile device using the IRS2Go app are safe and secure. Paying electronically is quick, easy, and faster than mailing in a check or money order.

**What if I can't pay now?** Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for more information about your options.

- Apply for an [online payment agreement](https://www.irs.gov/OPA) ([IRS.gov/OPA](https://www.irs.gov/OPA)) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the [Offer in Compromise Pre-Qualifier](https://www.irs.gov/offer) to see if you can settle your tax debt for less than the full amount you owe. For more information on the

Offer in Compromise program, go to [IRS.gov/OIC](https://www.irs.gov/OIC).

**Filing an amended return.** Go to [IRS.gov/Form1040X](https://www.irs.gov/Form1040X) for information and updates.

**Checking the status of your amended return.** Go to [IRS.gov/WMAR](https://www.irs.gov/WMAR) to track the status of Form 1040-X amended returns.

**Note.** It can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.

**Understanding an IRS notice or letter you've received.** Go to [IRS.gov/Notices](https://www.irs.gov/Notices) to find additional information about responding to an IRS notice or letter.

**Note.** You can use Schedule LEP (Form 1040), Request for Change in Language Preference, to state a preference to receive notices, letters, or other written communications from the IRS in an alternative language. You may not

immediately receive written communications in the requested language. The IRS's commitment to LEP taxpayers is part of a multi-year timeline that is scheduled to begin providing translations in 2023. You will continue to receive communications, including notices and letters in English until they are translated to your preferred language.

**Contacting your local IRS office.** Keep in mind, many questions can be answered on IRS.gov without visiting an IRS TAC. Go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp) for the topics people ask about most. If you still need help, IRS TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to [IRS.gov/TACLocator](https://www.irs.gov/TACLocator) to find the nearest TAC and to check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab,

choose the Contact Us option and click on "Local Offices."

## **The Taxpayer Advocate Service (TAS) Is Here To Help You**

**What is TAS?** TAS is an ***independent*** organization within the IRS that helps taxpayers and protects taxpayer rights. Their job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the [Taxpayer Bill of Rights](#).

**How can you learn about your taxpayer rights?** The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to

[TaxpayerAdvocate.IRS.gov](#) to help you understand what these rights mean to you and how they apply. These are ***your*** rights. Know them. Use them.



**What can TAS do for you?** TAS can help you resolve problems that you can't resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business;
- You face (or your business is facing) an immediate threat of adverse action; or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

**How can you reach TAS?** TAS has offices [in every state, the District of Columbia, and Puerto Rico.](#) Your local advocate's number is

in your local directory and at [TaxpayerAdvocate.IRS.gov/Contact-Us](https://www.irs.gov/Contact-Us). You can also call them at 877-777-4778.

**How else does TAS help taxpayers?** TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, report it to them at [IRS.gov/SAMS](https://www.irs.gov/SAMS).

**TAS for tax professionals.** TAS can provide a variety of information for tax professionals, including tax law updates and guidance, TAS programs, and ways to let TAS know about systemic problems you've seen in your practice.

## **Low Income Taxpayer Clinics (LITCs)**

LITCs are independent from the IRS. LITCs represent individuals whose income is below a certain level and need to resolve tax problems with the IRS, such as audits, appeals, and tax collection disputes. In addition, LITCs can provide information about taxpayer rights and

responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee for eligible taxpayers. To find an LITC near you, go to [TaxpayerAdvocate.IRS.gov/about-us/LowIncome-Taxpayer-Clinics-LITC](https://TaxpayerAdvocate.IRS.gov/about-us/LowIncome-Taxpayer-Clinics-LITC) or see IRS Pub. 4134, [Low Income Taxpayer Clinic List](#).

# Glossary

**Accrual method:** An accounting method under which you report your income when you earn it, whether or not you have received it. You generally deduct your expenses when you incur a liability for them, rather than when you pay them.

**At-risk rules:** Rules that limit the amount of loss you may deduct to the amount you risk losing in the activity.

**Basis:** Basis is the amount of your investment in property for tax purposes. The basis of property you buy is usually the cost. Basis is used to figure gain or loss on the sale or disposition of investment property.

**Below-market loan:** A demand loan (defined later) on which interest is payable at a rate below the applicable federal rate, or a term loan where the amount loaned is more than the present value of all payments due under the loan.

**Call:** An option that entitles the purchaser to buy, at any time before a specified future date, property such as a stated number of shares of stock at a specified price.

**Cash method:** An accounting method under which you report your income in the year in which you actually or constructively receive it. You generally deduct your expenses in the year you pay them.

**Commodities trader:** A person who is actively engaged in trading section 1256 contracts and is registered with a domestic board of trade designated as a contract market by the Commodities Futures Trading Commission.

**Commodity future:** A contract made on a commodity exchange, calling for the sale or purchase of a fixed amount of a commodity at a future date for a fixed price.

**Covered security:** Covered securities are certain securities subject to added reporting by your broker on any Form 1099-B you may receive. See the Instructions for Form 1099-B for more details.

**Conversion transaction:** Any transaction that you entered into after April 30, 1993, that meets both of these tests:

1. Substantially all of your expected return from the transaction is due to the time value of your net investment.
2. The transaction is one of the following:
  - a. A straddle, including any set of offsetting positions on stock.
  - b. Any transaction in which you acquire property (whether or not actively traded) at substantially the same time that you contract to sell the same property or substantially identical property at a price set in the contract.

- c. Any other transaction that is marketed or sold as producing capital gains from a transaction described in (1).

**Demand loan:** A loan payable in full at any time upon demand by the lender.

**Dividend:** A distribution of money or other property made by a corporation to its shareholders out of its earnings and profits.

**Equity option:** Any option:

- To buy or sell stock, or
- That is valued directly or indirectly by reference to any stock or narrow-based security index.

**Fair market value:** The price at which property would change hands between a willing buyer and a willing seller, both having reasonable knowledge of the relevant facts.

**Forgone interest:** The amount of interest that would be payable for any period if interest accrued at the applicable federal rate and was pay-able annually on December 31, mi-nus any interest payable on the loan for that period.

**Forward contract:** A contract to deliver a substantially fixed amount of property (including cash) for a substantially fixed price.

**Futures contract:** An ex-change-traded contract to buy or sell a specified commodity or financial instrument at a specified price at a specified future date. See also *Commodity future*.

**Gift loan:** Any below-market loan where the forgone interest is in the nature of a gift.

**Interest:** Compensation for the use or forbearance of money.

**Investment interest:** The interest you paid or accrued on money you borrowed that is allocable to property held for investment.



**Limited partner:** A partner whose participation in partnership activities is restricted, and whose personal liability for partnership debts is limited to the amount of money or other property that he or she contributed or may have to contribute.

**Listed option:** Any option (other than a right to acquire stock from the issuer) that is traded on (or subject to the rules of) a qualified board or exchange.

**Marked-to-market rule:** The treatment of each section 1256 contract (defined later) held by a taxpayer at the close of the year as if it were sold for its fair market value on the last business day of the year.

**Market discount:** The stated redemption price of a bond at maturity minus your basis in the bond immediately after you acquire it. Market discount arises when the value of a debt obligation decreases after its issue date.

**Market discount bond:** Any bond having market discount except:

- Short-term obligations with fixed maturity dates of up to 1 year from the date of issue,
- Tax-exempt obligations that you bought before May 1, 1993,
- U.S. savings bonds, and
- Certain installment obligations.

**Mutual fund:** A mutual fund is a regulated investment company generally created by “pooling” funds of investors to allow them to take advantage of diversity of investments and professional management.

**Nominee:** A person who receives, in his or her name, income that actually belongs to someone else.

**Noncovered security:** Noncovered securities are securities that are not subject to added reporting by your broker on any Form 1099-B

you may receive. See the Instructions for Form 1099-B for more details.

**Nonequity option:** Any listed option that is not an equity option, such as debt options, commodity futures options, currency options, and broad-based stock index options.

**Options dealer:** Any person registered with an appropriate national securities exchange as a market maker or specialist in listed options.

**Original issue discount (OID):** The amount by which the stated redemption price at maturity of a debt instrument is more than its issue price.

**Passive activity:** An activity involving the conduct of a trade or business in which you do not materially participate and any rental activity. However, the rental of real estate is not a passive activity if both of the following are true:

- More than one-half of the personal services you perform during the year in all trades or businesses are performed in real property trades or businesses in which you materially participate.
- You perform more than 750 hours of services during the year in real property trades or businesses in which you materially participate.

**Portfolio income:** Gross income from interest, dividends, annuities, or royalties that is not derived in the ordinary course of a trade or business. It includes gains from the sale or trade of property (other than an interest in a passive activity) producing portfolio income or held for investment.

**Premium:** The amount by which your cost or other basis in a bond right after you get it is more than the total of all amounts payable on the bond after you get it (other than payments of qualified stated interest).

**Private activity bond:** A bond that is part of a state or local government bond issue of which:

1. More than 10% of the proceeds are to be used for a private business use, and
2. More than 10% of the payment of the principal or interest is:
  - a. Secured by an interest in property to be used for a private business use (or payments for the property), or
  - b. Derived from payments for property (or borrowed

money) used for a private business use.

**Put:** An option that entitles the purchaser to sell, at any time before a specified future date, property such as a stated number of shares of stock at a specified price.

**Real estate mortgage investment conduit (REMIC):** An entity that is formed for the purpose of holding a fixed pool of mortgages secured by interests in real property, with multiple classes of interests held by investors. These interests may be either regular or residual.

**Regulated futures contract:** A section 1256 contract that:

- Provides that amounts that must be deposited to, or may be withdrawn from, your margin account depend on daily market conditions (a system of marking to market); and
- Is traded on, or subject to the rules of, a qualified board of exchange, such as a domestic board of trade designated as a contract market by the Commodity Futures Trading Commission or any board of trade or exchange approved by the Secretary of the Treasury.

**Restricted stock:** Stock you get for services you perform that is nontransferable and is subject to a substantial risk of forfeiture.

**Section 1256 contract:** Any:

- Regulated futures contract,
- Foreign currency contract as defined in chapter 4 under Foreign currency contract,
- Nonequity option,
- Dealer equity option, or
- Dealer securities futures contract.

A section 1256 contract does not include certain swaps as listed in Exceptions under *Section 1256 Contracts Marked to Market* in chapter 4.

**Securities futures contract:** A contract of sale for future delivery of a single security or of a narrow-based security index.

**Short sale:** The sale of property that you generally do not own. You borrow the property to deliver to a buyer and, at a later date, you buy substantially identical property and deliver it to the lender.

**Straddle:** Generally, a set of offset-ting positions on personal property. A straddle may consist of a purchased option to buy and a purchased option to sell on the same number of shares of the security, with the same exercise price and period.

**Stripped preferred stock:** Stock that meets the following tests:

1. There has been a separation in ownership between the stock and any dividend on the stock that has not become payable.
2. The stock:
  - a. Is limited and preferred as to dividends,



- b. Does not participate in corporate growth to any significant extent, and
- c. Has a fixed redemption price.

**Term loan:** Any loan that is not a demand loan.

**Wash sale:** A sale of stock or securities at a loss within 30 days before or after you buy or acquire in a fully taxable trade, or acquire a contract or option to buy, substantially identical stock or securities.

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To help us develop a more useful index, please let us know if you have ideas for index entries. See “Comments and Suggestions” in the “Introduction” for the ways you can reach us.

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