### Part I: CAPITAL ASSETS—Short-Term Capital Gains and Losses—Assets Held 6 Months or Less

<table>
<thead>
<tr>
<th>a. Kind of property (if necessary, attach description)</th>
<th>b. Date acquired (mo., day, yr.)</th>
<th>c. Date sold (mo., day, yr.)</th>
<th>d. Gross sales price</th>
<th>e. Depreciation allowed (or allowable)</th>
<th>f. Cost or other basis and expense of sale</th>
<th>g. Gain or loss (G plus L less T)</th>
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<td>1</td>
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<tr>
<td>2 Unused capital loss carryover (attach computation)</td>
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<tr>
<td>3 Net short-term capital gain or loss (total of column g). Enter here and on line 8.</td>
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### Long-Term Capital Gains and Losses—Assets Held More Than 6 Months. (col. a–g). For gains on assets whose F.M.V. on 12/31/58 exceeded the adjusted basis on that date, use cols. a–k.

<table>
<thead>
<tr>
<th>h. F.M.V. as of 12/31/58</th>
<th>i. Adjusted basis as of 12/31/58</th>
<th>j. Excess of column h over column i, if any</th>
<th>k. Gain (excess of column g over column k, but not less than zero)</th>
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**5 Total of column g (where columns h–k are not required)**

6 Total of column k.

7 Net long term capital gain or loss (total of lines 5 and 6). Enter here and on line 9.

### Part II: Summary of Capital Gains and Losses

8 Net short-term capital gain or loss from line 3.

9 Net long-term capital gain or loss from line 7.

10 Net short-term capital gain (line 8, column b) reduced by any net long-term capital loss (line 9, column a).

   Enter here and on line 6, Schedule A, Form 1120L.

11 Net long-term capital gain (line 9, column b) reduced by any net short-term capital loss (line 8, column a).

   Enter here and on line 7, Schedule C, and on line 8, Schedule E, Form 1120L.

### Part III: Alternative Tax Computation

12 (a) Taxable investment income (line 1(a), page 1, Form 1120L)

(b) Less line 11 above

13 (a) Gain from operations (line 1(b), page 1, Form 1120L)

(b) Less line 11 above

14 Enter the smaller of line 12 or line 13, but not less than zero

15 50% of the excess, if any, of line 13 over line 12

16 Amount subtracted from policyholders' surplus account (line 3, page 1, Form 1120L).

17 Total of lines 14, 15, and 16.

18 Surtax exemption—Enter line 17 or $25,000, whichever is lesser. (Component members of a controlled group: see page 9 of Form 1120L instructions and enter your surtax exemption, or line 17, whichever is lesser).

19 Line 17 less line 18.

20 22% of line 17.

21 26% of line 19.

22 If multiple surtax exemption is elected under section 1562, enter 6% of line 18.

23 Total of lines 20, 21, and 22.

24 Enter amount from line 11.

25 Enter long-term gain from certain binding contracts and installment sales (referred to as "subsection (d) gains"—see instructions)

26 Line 24 less line 25 (if less than zero, enter zero).

27 25% of the lesser of line 24 or line 25.

28 30% of line 26.

29 Total of lines 27 and 28.

30 Alternative tax—Add lines 23 and 29. If applicable, enter here and on line 8, page 1, Form 1120L and write "ALT" on the line to the left of the entry.
### Part IV
Ordinary Gains and Losses (cols. a–g). For gains on assets whose F.M.V. on 12/31/58 exceeded the adjusted basis on that date, use cols. a–k. Exclude any ordinary gain resulting from the sale of investment assets reported in column j, Part V and column p, Part VI. Investment assets—see instructions for Part I.

<table>
<thead>
<tr>
<th>a. Kind of property (if necessary, attach description)</th>
<th>b. Date acquired (mo., day, yr.)</th>
<th>c. Date sold (mo., day, yr.)</th>
<th>d. Gross sales price</th>
<th>e. Depreciation allowed (or allowable)</th>
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<th>g. Gain or loss (d plus e less f)</th>
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32 Total of column g (where cols. h–k are not required).

h. F.M.V. as of 12/31/58

<table>
<thead>
<tr>
<th>i. Adjusted basis as of 12/31/58</th>
<th>j. Excess of column h over column i</th>
<th>k. Gain (excess of column g over column j but not less than zero)</th>
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33 Total of column k

34 Net ordinary gain or loss (total of lines 32 and 33). Enter here and include in total of line 11, Schedule E.

### Part V
Gain from Disposition of Depreciable Property and Certain Real Property Held More Than 6 Months. (Section 1245) (Report gain from disposition of other depreciable real property in Part VI.) Investment Assets—see instructions for Part I.

<table>
<thead>
<tr>
<th>a. Kind of property (if necessary, attach description)</th>
<th>b. Date acquired (mo., day, yr.)</th>
<th>c. Date sold (mo., day, yr.)</th>
<th>d. Gross sales price</th>
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36 Total ordinary gain. Enter here and on line 31. and identify as gain from line 36 .

37 Total other gain. Enter here and on line 41, and identify as gain from Part V. (If this amount includes any gain from casualty or theft, see instructions.)

### Part VI
Gain from Disposition of Depreciable Real Property Held More Than 6 Months. (Section 1250)

<table>
<thead>
<tr>
<th>a. Kind of property (if necessary, attach description)</th>
<th>b. Date acquired (mo., day, yr.)</th>
<th>c. Date sold (mo., day, yr.)</th>
<th>d. Gross sales price</th>
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39 Total ordinary gain. Enter here and on line 31, and identify as gain from line 39 .

40 Total other gain. Enter here and on line 41, and identify as gain from Part VI. (If this amount includes any gain from casualty or theft, see instructions.)

### Part VII
Sale or Exchange of Property Used in Trade or Business and Involuntary Conversions (Section 1231)

<table>
<thead>
<tr>
<th>a. Kind of property (if necessary, attach description)</th>
<th>b. Date acquired (mo., day, yr.)</th>
<th>c. Date sold (mo., day, yr.)</th>
<th>d. Gross sales price</th>
<th>e. Depreciation allowed (or allowable)</th>
<th>f. Cost or other basis and expense of sale</th>
<th>g. Gain or loss (d plus e less f)</th>
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42 Total (If gain, enter on line 4; if loss, enter on line 31. Identify as gain or loss from Part VII.)
Every sale or exchange of property must be reported in detail even though no gain or loss results.

In general, all or part of the gain on a disposition of property may be required to be reported as ordinary income under the provisions of sections 1245, 1250 (see Parts V and VI), 1251 and 1252. The remainder of the gain may or may not be subject to capital gain treatment depending on the circumstances.

### Rules for Dispositions of Farm Property and Certain Involutionary Conversions

1. **Farm property.**—Refer to sections 1251 and 1252 for the treatment of gains on disposition of certain farm property.

2. **Involutionary conversions.—**
   - (a) If gains from involutionary conversions arising from casualty or theft of property used in a trade or business or of any capital asset held more than six months equal or exceed the losses, the gains and losses are to be entered in Part VI and treated as section 1231 gains and losses along with gains and losses on dispositions of other section 1231 property.
   - If the losses from such involutionary conversions exceed the gains, the gains and losses are to be entered in Part IV and treated as ordinary gains and losses. This applies to both insured and uninsured property.
   - (b) Gains from such involutionary conversions of property which is also section 1245 or 1250 property must first be reported in Part V or Part VI to determine how much gain is ordinary income. Any remaining gain (line 37, Part V, or line 40, Part VI) is included in the separate computation described in the above paragraph.

### PART I

**Capital assets.**—A capital asset is property held by the corporation (whether or not connected with its trade or business) except: (1) intangible property held primarily for sale to customers; (2) depreciable or real property used in the trade or business; (for life insurance companies, this relates only to property used in carrying on an insurance business, e.g., home office building; branch offices; office equipment; etc.); excluded are investment assets that produce interest, rents, dividends or royalties (see section 817 (a)(2)); (3) certain copyrights, literary, musical, or artistic compositions, letters or memorandums, or similar property; (4) accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in (1) above; or (5) certain short-term Federal, State, and municipal obligations issued on or after March 1, 1941, on a discount basis.

Thus, the gains or losses from the sale or exchange of depreciable assets attributable to any trade or business (other than an insurance business) carried on by the life insurance company, such as renting various pieces of real estate, or operating a radio station, a housing development, or a farm, will be treated as gains or losses from the sale or exchange of capital assets.

### Investment assets.

- **Gains or losses from the sale or exchange of investment assets are treated as gains or losses from the sale or exchange of capital assets.** (See above.) All sales of investment assets subject to sections 1245 and 1250 should be reported in Parts V and VI respectively, regardless of the length of time held, if held more than six months. The gain or loss reported in column k, Part V and column q, Part VI, should be entered on line 1, Part I and identified as gain from Part V or Part VI. If held more than 6 months, the net gain or loss reported in column k, Part V and column q, Part VI, should be entered on line 4, Part I, and identified as gain from Part V or Part VI. Any amount included in column j, Part V and column p, Part VI as ordinary income from the sale of investment assets, should be included in line 7, Schedule A.

### PART III

**Alternative tax.**—If the net long-term capital gain exceeds the net short-term capital loss, then, in lieu of the normal tax and surtax imposed upon taxable income, there is imposed an alternative tax (if such tax is less than the normal tax and surtax).

The alternative tax is the sum of (1) a partial tax, computed at the normal tax and surtax rates on the taxable income determined by reducing the taxable investment income, and the gain from installment sales, by the amount of the excess of the net long-term capital gain over the net short-term capital loss, and (2) 30 percent of such excess.

An alternative tax rate of 25%, however, is to be applied to the lesser of the amount of "subsection (d) gain" or 25% of the excess of net long-term capital gain over any net short-term capital loss.

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*e09-10-40181-1*
Subsection (d) gain consists of long-term capital gains, including installment proceeds (except gains from timber, coal or domestic iron ore under section 631 or from patents under section 1235) received before 1975 from sales or other dispositions under binding contracts entered into on or before October 9, 1969.

PART IV

Ordinary gains and losses.—(For investment assets—see instructions in Part I.) Include gains and losses from disposition or involuntary conversion of land and depreciable property held six months or less and gains and losses from compulsory or involuntary conversion of capital assets held six months or less.

If after grouping all section 1231 transactions the losses exceed the gains, report the net loss in Part IV as an ordinary loss.

If losses from involuntary conversions arising from casualty or theft of property used in a trade or business (as defined in section 1231) or of any capital asset held more than six months exceed the gains, enter such gains and losses in Part IV as ordinary gains and losses.

PART V

Gain from disposition of depreciable property and certain real property held more than six months. (Section 1245).—(Report any gain from such property held more than six months in Part IV. For investment assets, see instructions in Part I.)

In general, when section 1245 property (as defined below) is disposed of, gain will be treated as ordinary income to the extent of depreciation allowed (or allowable) after 1961. Except for certain involuntary conversions referred to in section 1231, the balance of the gain, if any, is to be combined in Part VII with gains and losses from section 1231 property.

Section 1245 property is property which is depreciable (or subject to amortization under section 167 or section 180 and is either—
(a) personal property,
(b) elevators and escalators,
(c) real property (other than property described in (d) subject to amortization under section 167, 185, or 188, or
(d) tangible real property (except buildings and their structural components) if used as an integral part of certain business activities or as a facility for research or as a facility for the bulk storage of fungible commodities (including commodities in a liquid or gaseous state) in connection with such activities. These business activities are manufacturing, production, extraction, or furnishing transportation, communications or other public utility services.

See section 1245(b) for exceptions and limitations involving—(a) disposition by gift, (b) certain tax-free transactions, (c) like kind exchanges; involuntary conversions, and (d) sales or exchanges to effectuate FCC policies and exchanges to comply with SEC orders.

Column I.—Enter depreciation allowed (or allowable) after December 31, 1961. However, use June 30, 1963, for elevators and escalators and December 31, 1969, for livestock.

PART VI

Gain from disposition of depreciable real property held more than six months. (Section 1250).—(Report any gain from such property held more than six months in Part IV. For investment assets, see instructions in Part I.)

In general, when section 1250 property (as defined below) is disposed of, all or a portion of the "additional depreciation" will be treated as ordinary income. Except for certain involuntary conversions referred to in section 1231, the balance of the gain, if any, is to be combined in Part VII with gains and losses from section 1231 property.

Section 1250 property is depreciable real property other than section 1245 property.

See section 1250(d) for exceptions and limitations involving: (a) disposition by gift, (b) certain tax-free transactions, (c) like kind exchanges; involuntary conversions, (d) sales or exchanges to effectuate FCC policies and exchanges to comply with SEC orders, and (e) disposition of qualified low-income housing.

Columns i and j, additional depreciation.—In the case of section 1250 property held one year or less, additional depreciation is the total amount of depreciation claimed. In such case, omit columns i, j, k, and l, and enter in column p the lesser of the amount of gain (column h) or the total amount of depreciation claimed (column n).

For property held more than one year, additional depreciation is the excess of actual depreciation attributable to periods after December 31, 1963, over depreciation computed for the same period using the straight line method. Enter in column i the additional depreciation for the period after December 31, 1963, and before January 1, 1970, and in column j the additional depreciation for the period after December 31, 1969.

For additional depreciation attributable to rehabilitation expenditures, see section 1250(b)(4).

Column I, applicable percentage.—Enter 100% of column k in column i except as follows: (1) In the case of section 1250 property disposed of pursuant to a written contract entered into on or before July 24, 1969, and at all times thereafter, binding on the owner of the property, the applicable percentage is 100% minus 1 percentage point for each full month the property was held after the date it was held 20 full months; and (2) In the case of section 1250 property constructed, reconstructed, or acquired by the taxpayer before January 1, 1975, with respect to which a mortgage is insured under section 221(d)(3) or 236 of the National Housing Act, or housing is financed or assisted by direct loan or tax abatement under similar provisions of the State or local laws, and with respect to which the owner is subject to the restrictions described in section 1039(b)(1)(B), the applicable percentage is 100% minus 1 percentage point for each full month the property was held after the date it was held 20 full months.

In the case of residential rental property (as defined in section 167)(b)(2)(B) other than that covered by (1) and (2) above, the applicable percentage is 100% minus 1 percentage point for each full month the property was held after the date it was held 100 full months; and

(4) In the case of section 1250 property for which a depreciation deduction for rehabilitation expenditures was allowed under section 167(k), the applicable percentage is 100% minus 1 percentage point for each full month in the total of 100 full months after the date on which the property was placed in service.

Column o, applicable percentage.—The applicable percentage is 100% minus 1 percentage point for each full month the property was held after the date it was held 20 full months.

PART VII

Sale or exchange of property used in trade or business and involuntary conversion. (Section 1231).—Section 1231 provides special treatment for the recognized gains and losses upon the sale or exchange of "property used in the trade or business" and upon the compulsory or involuntary conversion of (1) such property and (2) capital assets held more than six months.

Note: Refer to page 3 for rules for involuntary conversions resulting from casualty or theft.

After determining in Parts V and VI how much of the total gain from disposition of depreciable property is ordinary gain, compute the gain on the sale or exchange of property with other gains and losses from section 1231 property to determine if there is a net gain or net loss. The total shown on line 42 determines whether the items reflected therein represent a long-term capital gain or an ordinary loss. This total must be entered on line 4 or line 31, whichever is applicable.

In determining whether gains exceed losses, include the gains and losses to the extent they would be included if they were all ordinary gains and losses. The limitation of section 1211 on the deductibility of capital losses does not apply.

Section 1231(a) provides that in applying section 1231(a), the term "property used in the trade or business" shall be treated as including only (1) property used in carrying on an insurance business, which is subject to depreciation provided in section 167 and held for more than 6 months (including real property but excluding (a) inventory or property held primarily for sale to customers and (b) certain copyrights; literary, musical or artistic compositions; letters or memorandum; or similar property); and (2) timber, coal, and domestic iron ore to which section 631 applies.

The total shown on line 42, page 2, determines whether the items reflected therein represent a long-term capital gain or an ordinary loss.

In either case, after the initial determination, the items must be segregated into (1) assets held after December 31, 1958, where the F.M.V. exceeded the adjusted basis on that date, and (2) other. Enter the totals into the appropriate schedules of Part I or Part IV.

Line 41.—Enter each section 1231 item not carried over from line 35.

Line 42.—Enter the net gain or loss of the section 1231 items described in Part VII.

Minimum tax on tax preference items.—If the net long-term capital gain exceeds the net short-term capital loss, you may be liable for minimum tax. See Form 4626.

Controlled corporations.—Controlled corporations: see Tax Computation Instructions of Form 1120L.