

Name

Employer Identification No.

Part I — GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY HELD MORE THAN 6 MONTHS

Table with 5 main columns: a. Kind of property, b. Date acquired, c. Date sold, d. Gross sales price, e. Cost or other basis and expense of sale. Includes sub-headers for depreciation (f) and gain/loss (i, j).

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

Table with 7 columns: a. Kind of property, b. Date acquired, c. Date sold, d. Gross sales price, e. Depreciation allowed, f. Cost or other basis, g. Gain or loss.

Long-Term Capital Gains and Losses — Assets Held More Than 6 Months

Table with 7 columns: a. Kind of property, b. Date acquired, c. Date sold, d. Gross sales price, e. Depreciation allowed, f. Cost or other basis, g. Gain or loss.

Part III — PROPERTY OTHER THAN CAPITAL ASSETS

Table with 7 columns: a. Kind of property, b. Date acquired, c. Date sold, d. Gross sales price, e. Depreciation allowed, f. Cost or other basis, g. Gain or loss.

Part IV — TOTAL SCHEDULE D GAINS AND LOSSES

Summary table with 2 columns: Description of gain/loss and Amount.

Part V — ALTERNATIVE TAX COMPUTATION

Table for alternative tax computation with 2 columns: Description and Amount.

Every sale or exchange of property must be reported in detail even though no gain or loss is indicated.

PART I

Gain from disposition of depreciable property held more than 6 months (Sections 1245 and 1250).—(Report any gain from such property held 6 months or less in Part III.) In columns f and i, use the 1st heading for section 1245 and the 2nd heading for section 1250.

Except as provided below, section 1245 property is depreciable (a) personal property (both tangible and intangible) except livestock, (b) elevators and escalators, and (c) tangible real property (except buildings and their structural components) if used as an integral part of certain business activities or as a research or storage facility in connection with such activities. These business activities are manufacturing, production, extraction, or furnishing transportation, communications or certain other public utility services.

Except as provided below, section 1250 property is depreciable real property (other than section 1245 property).

See sections 1245(b) and 1250(d) 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 f of Part I.—In computing depreciation allowed or allowable for elevators or escalators, enter in column f-1 depreciation prior to July 1, 1963, and in column f-2 depreciation after June 30, 1963.

Column i of Part I, section 1250 property only.—If held 1 year or less enter the smaller of column h or column f-2.

If held more than 1 year, enter the result of multiplying the smaller of:

- (1) column h, or
- (2) column f-2 less the amount of depreciation computed for the same period using the straight line method,

by the percentage obtained by subtracting from 100%, one percentage point for each full month the property was held in excess of 20 months.

If substantial improvements were made in the last 10 years, see section 1250(f).

For provisions relating to recapture of exploration expenditures on the sale or disposition of mining property, see section 617.

Section 1231 property.—After determining which part of the total gain from disposition of depreciable property is ordinary gain (line 2), combine the total other gain (line 3) with other gains and losses from section 1231 property to determine if there is a net gain or net loss. If the result is a net gain, all gains and losses are reported in Part II as long-term capital gains and losses. If the result is a net loss, all gains and losses are reported in Part III as ordinary gains and losses.

Section 1231 property applies to gains and losses from—

(a) the sale, exchange, or involuntary conversion of land (including in certain cases unharvested crops sold with the land) and depreciable property if they are used in the trade or business and held more than 6 months,

(b) the sale, exchange, or involuntary conversion of livestock held for draft, breeding, or dairy purposes (but not including poultry) and held 1 year or more,

(c) the cutting of timber or the disposal of timber, coal, or domestic iron ore, to which section 631 applies, and

(d) the involuntary conversion of capital assets held more than 6 months.

Gain on sale by a controlled corporation.—A gain on the sale of depreciable property between an individual and his controlled corporation is treated as ordinary income. Capital gain provisions do not apply. (See section 1239.)

For this purpose, a corporation is controlled if the individual, his spouse, and his minor children and minor grandchildren own more than 80% in value of the outstanding stock.

PART II

Capital assets.—A capital asset is property held by the corporation (whether or not connected with its trade or business) except: (1) inventoriable assets or property held primarily for sale to customers; (2) depreciable or real property used in the trade or business; (3) certain copyrights, literary, musical, or artistic compositions, 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.

Capital losses.—Capital losses are allowed only to the extent of capital gains. A net capital loss, however, may be carried forward as a short-term capital loss for 5 years (10 years to the extent the loss is attributable to a foreign expropriation loss) or until exhausted, whichever comes first.

Short sales of capital assets.—For rules relating to certain short sales of stock or other securities and transactions in commodity futures, see section 1233.

Long-term capital gains from regulated investment companies.—Report as a long-term capital gain the amount the corporation has been notified constitutes its share of the undistributed capital gains of a regulated investment company.

Worthless securities.—Except for banks, if securities which are capital assets become wholly worthless during the taxable year, the loss is to be treated as a capital loss as of the last day of the taxable year.

Losses not allowable.—No loss is allowed for wash sales of stock or securities. (See section 1091.) No loss is allowed (distributions in liquidation excepted) on transactions between related persons. (See section 267.)

Basis.—In determining gain or loss, the basis of property will generally be its cost. If property was acquired by bequest, gift, tax-free exchange, involuntary conversion, or wash sale of stock, see sections 1014, 1015, 1031, 1033, and 1091, respectively. Attach an explanation if the basis used is other than actual cash cost of the property.

Bonds, etc., losses of banks.—Net losses from sales or exchanges of securities by banks are deductible in full. Capital loss limitations do not apply. The term securities includes bonds, debentures, notes, certificates, etc., issued by any corporation, a government, or political subdivision.

Dealers in securities.—A gain by a dealer in securities from the sale or exchange of a security is not a capital gain unless (a) the security was, before the expiration of the 30th day after its acquisition, clearly identified in the dealer's records as a security held for investment, and (b) the security was not, at any time after such 30th day, held primarily for sale to customers in the ordinary course of trade or business. A loss from the sale or exchange of a security is a capital loss if it was clearly identified in the dealer's records as a security held for investment. (See section 1236.)

Instructions for insurance companies.—Companies taxable under section 831 having losses from capital assets sold or exchanged to obtain funds to meet abnormal insurance losses, etc., shall attach a schedule corresponding to Schedule A-3 of Form 1120M. For companies taxable under section 821, all references to line numbers on Form 1120 are to be considered as references to the appropriate line on Form 1120M.

PART III

Include gain from disposition of depreciable property held 6 months or less.

If after grouping all section 1231 transactions the losses exceed the gains, each transaction is to be reported in Part III as an ordinary gain or loss.

PART V

Alternative tax.—If the net long-term capital gain exceeds the net short-term capital loss, or if there is only a net long-term capital gain, the tax should be computed using the alternative method (section 1201) to determine if the resulting tax is less than the tax computed using the regular method.

The alternative tax is the sum of (1) a partial tax computed at the normal tax and surtax rates on the taxable income decreased by the excess of net long-term capital gain over any net short-term capital loss and (2) 25% of such excess.

In computing the alternative tax, deductions subject to a limitation based upon taxable income (such as contributions and the special deductions in Schedule I) do not have to be recomputed.

Installment Sales

If you sold personal property for more than \$1000 or real property regardless of amount, you may be eligible to report any gain under the installment method if (1) there are no payments in the year of sale or (2) the payments in the year of sale do not exceed 30% of the selling price. (See section 453.)

For treatment of a portion of payments as "unstated interest" on deferred payment sales, see section 483.