



capital loss may be carried back 3 years and forward 5 years as a short-term capital loss. Carry back a capital loss to the extent it does not increase or produce a net operating loss in the tax year to which it is carried. Foreign expropriation capital losses may not be carried back, but may be carried forward 10 years. A net capital loss for a regulated investment company may be carried forward 8 years.

## Special Rules for the Treatment of Certain Gains and Losses

**Note:** For more information, get **Pub. 544, Sales and Other Dispositions of Assets, and Pub. 542, Tax Information on Corporations.**

- **Loss from a sale or exchange between the corporation and a related person.**—Except for distributions in complete liquidation of a corporation, no loss is allowed from the sale or exchange of property between the corporation and certain related persons. See section 267 for details.
- **Loss from a wash sale.**—The corporation cannot deduct a loss from a wash sale of stock or securities (including contracts or options to acquire or sell stock or securities) unless the corporation is a dealer in stock or securities and the loss was sustained in a transaction made in the ordinary course of the corporation's trade or business. A wash sale occurs if the corporation acquires (by purchase or exchange), or has a contract or option to acquire, substantially identical stock or securities within 30 days before or after the date of the sale or exchange. See section 1091 for more information.
- **Like-kind exchanges.**—An exchange of business or investment property for property of a like kind is reported on **Form 8824, Like-Kind Exchanges.**
- **At-risk limitations (section 465).**—If the corporation sold or exchanged a capital asset used in an activity to which the at-risk rules apply, combine the gain or loss on the sale or exchange with the profit or loss from the activity. If the result is a net loss, complete **Form 6198, At-Risk Limitations.** Report any gain from the capital asset on Schedule D and on Form 6198.
- **Gains and losses from passive activities.**—A closely held or personal service corporation that has a gain or loss that relates to a passive activity (section 469) may be required to complete **Form 8810, Corporate Passive Activity Loss and Credit Limitations,** before completing Schedule D. A Schedule D loss may be limited under the passive activity rules. See Form 8810 for more detailed information.
- **Gain on distributions of appreciated property.**—Generally, gain (but not loss) is recognized on a nonliquidating distribution of appreciated property to the extent that the property's fair market value exceeds its adjusted basis. See section 311 for more information.
- **Gain or loss on distribution of property in complete liquidation.**—Generally, gain or loss is recognized on property distributed in a complete liquidation. Treat the property as if it had been sold at its fair market value. An exception to this rule applies for liquidations of certain subsidiaries. See sections 336 and 337 for more information and other exceptions to the general rules.

- **Gains and losses on section 1256 contracts and straddles.**—Use **Form 6781, Gains and Losses From Section 1256 Contracts and Straddles,** to report these gains and losses.

- **Gain or loss on certain short-term Federal, state, and municipal obligations.**—Such obligations are treated as capital assets in determining gain or loss. On any gain realized, a portion is treated as ordinary income and the balance as a short-term capital gain. See section 1271.

- **Gain from installment sales.**—If the corporation has a gain this year from the casual sale of real or personal property (other than inventory) and is to receive any payment in a later year, it must use the installment method (unless it elects not to—see below) and file **Form 6252, Installment Sale Income.** Also use Form 6252 if a payment is received this year from a sale made in an earlier year on the installment method.

The corporation may elect out of the installment method by reporting the full amount of the gain on a timely filed return (including extensions).

The installment method may not be used for sales of stock or securities (or certain other property described in the regulations) traded on an established securities market. See section 453(k).

- **Rollover of publicly traded securities gain into specialized small business investment companies (SSBICs).**—A corporation that sells publicly traded securities at a gain may elect under section 1044 to postpone all or part of the gain if the seller buys stock or a partnership interest in an SSBIC during the 60-day period that begins on the date the securities are sold.

An SSBIC is any partnership or corporation licensed by the Small Business Administration under section 301(d) of the Small Business Investment Act of 1958. The corporation must recognize gain on the sale to the extent the proceeds from the sale exceed the cost of the SSBIC stock or partnership interest purchased during the 60-day period that began on the date of the sale (and not previously taken into account). The gain a corporation may postpone each tax year is limited to the lesser of (a) \$250,000 or (b) \$1 million, reduced by the gain previously excluded under section 1044. The basis of the SSBIC stock or partnership interest is reduced by any postponed gain.

To make the election to postpone gain, complete line 1 or line 6, whichever applies, showing the entire gain realized in column (f). Directly below the line on which the gain is reported, enter "SSBIC Rollover" in column (a). Enter the amount of the postponed gain (in parentheses) in column (f). Also, attach a schedule showing (a) how you figured the postponed gain, (b) the name of the SSBIC in which you purchased common stock or a partnership interest, (c) the date of that purchase, and (d) the new basis in that SSBIC stock or partnership interest.

For more details, see section 1044.

- **Gain or loss on an option to buy or sell property.**—See sections 1032 and 1234 for the rules that apply to a purchaser or grantor of an option.

- **Gain or loss from a short sale of property.**—Report the gain or loss to the extent that the property used to close the

short sale is considered a capital asset in the hands of the taxpayer.

- **Gains and losses of foreign corporations from the disposition of investment in U.S. real property.**—Foreign corporations are required to report gains and losses from the disposition of U.S. real property interests. See section 897 for details.

- **Gains on certain insurance property.**—Form 1120-L filers with gains on property held on December 31, 1958, and certain substituted property acquired after 1958 should see section 818(c).

- **Loss from the sale or exchange of capital assets of an insurance company taxable under section 831.**—Under the provisions of section 834(c)(6), capital losses of a casualty insurance company are deductible to the extent that the assets were sold to meet abnormal insurance losses or to provide for the payment of dividend and similar distributions to policyholders.

- **Loss from securities that are capital assets that become worthless during the year.**—Except for securities held by a bank, treat the loss as a capital loss as of the last day of the tax year. (See section 582 for the rules on the treatment of securities held by a bank.)

- **Disposition of market discount bonds.**—See section 1276 for rules on the disposition of market discount bonds.

- **Capital gain distributions.**—Report capital gain distributions paid by mutual funds as long-term capital gains on line 6 regardless of how long the corporation owned stock in the fund.

## Specific Instructions

**Line 1, column (d).**—Enter either the gross sales price or the net sales price. If the net sales price is entered, do not increase the cost or other basis in column (e) by any expense of sale.

**Line 1, column (e).**—In determining gain or loss, the basis of property will generally be its cost. See section 1012 and the related regulations. Exceptions to the general rule are provided in sections in subchapters C, K, O, and P of the Code. For example, if the corporation acquired the property by dividend, liquidation of a corporation, transfer from a shareholder, reorganization, bequest, contribution or gift, tax-free exchange, involuntary conversion, certain asset acquisitions, or wash sale of stock, see sections 301 (or 1059), 334, 362 (or 358), 1014, 1015, 1031, 1033, 1060, and 1091, respectively. Attach an explanation if the corporation uses a basis other than actual cash cost of the property.

If the gross sales price is reported in column (d), increase the cost or other basis by any expense of sale such as broker's fees, commissions, or option premiums before entering an amount in column (e).

If the corporation is allowed a charitable contribution deduction because it sold property in a bargain sale to a charitable organization, figure the adjusted basis for determining gain from the sale by dividing the amount realized by the fair market value and multiplying that result by the adjusted basis.

See section 852(f) for the treatment of certain load charges incurred in acquiring stock in a mutual fund with a reinvestment right.

