Form **6781**

Department of the Treasury
Internal Revenue Service

Gains and Losses From Commodity Futures Contracts and Straddle Positions

▶ To be filed with Form 1040, 1041, 1065, 1120, 1120S, etc.

OMB No. 1545-0644

1981

Name(s) as shown on tax return | Identifying number

☐ Election under section 508(c) with respect to regulated futures contracts and positions held on 6/23/81.
☐ Election under section 509(a) with respect to regulated futures contracts held at any time during tax year.
☐ Check here if you have made the mixed straddle election. (See instructions)

Part I Regulated Futures Contracts Marked to Market

a. Kind of property and description	b. Date acquired	c. Date sold or "open"	d. Gross sales price less expense of sale OR Fair market value	e. Cost or other basis as adjusted	f. LOSS	g. GAIN
1						
2 Add column f and column g, line 1					( )	
3 Combine line 2, column f and line 2, column g and enter the net gain or (loss)						
4 Multiply line 3 by 40%. Enter as a short-term capital gain or (loss) on Schedule D, Part I. Identify as Form 6781, Part I						
5 Multiply line 3 by 60%. Enter as a long-term capital gain or (loss) on Schedule D, Part II. Identify as Form 6781, Part I						

Part II Gains and Losses From Straddle Positions (Attach a separate schedule listing each straddle and its components.)

Section A.—Losses From Straddle Positions

a. Kind of property and description	b. Date acquired	c. Date sold	d. Gross sales price less expense of sale	e. Cost or other basis as adjusted	f. LOSS If column e is more than d, enter difference. Otherwise, enter zero.	g. Unrealized gain on offsetting positions.	h. Recognized loss. If column f is more than g, enter difference. Otherwise, enter zero.
6							
7a Enter the total short-term capital loss from line 6, column h here and on Schedule D, Part I. Identify as Form 6781, Part II							( )
b Enter the total long-term capital loss from line 6, column h here and on Schedule D, Part II. Identify as Form 6781, Part II							( )

Section B.—Gains From Straddle Positions

a. Kind of property and description	b. Date acquired	c. Date sold	d. Gross sales price less expense of sale	e. Cost or other basis as adjusted	f. GAIN If column d is more than e, enter difference.
8					
9a Enter the total short-term capital gain from line 8, column f here and on Schedule D, Part I. Identify as Form 6781, Part II					
b Enter the total long-term capital gain from line 8, column f here and on Schedule D, Part II. Identify as Form 6781, Part II					

Part III Unrealized Gains From Positions Held on Last Day of Tax Year. (Memo Entry Only—See Instructions)

a. Kind of property and description	b. Date acquired	c. Fair market value on last business day of tax year	d. Cost or other basis as adjusted	e. UNREALIZED GAIN If column c is more than d, enter difference.
10				

For Paperwork Reduction Act Notice, see instructions.

363-696-2

Part IV **Section 509 Election To Be Taxed at 1982 Rates on Regulated Futures Contracts.**
(Complete this part if you checked the box for the section 509 election and you have a gain on Part I, line 3.)

Section A.—Tax on Regulated Futures Contracts

11 Taxable income from your tax return	
12 Refigure line 11 without transferring the amounts from lines 4 and 5 of Form 6781 onto Schedule D. Enter result here	
13 Tax on line 11 using 1982 rates	
14 Tax on line 12 using 1982 rates	
15 Subtract line 14 from line 13. If result is zero or less, enter zero	
16 Tax on line 12 using 1981 rates. (You may use income averaging, alternative tax, maximum tax, etc.)	
17 Add line 15 and line 16. Enter as tax liability before credits on your tax return. Write in the margin next to the amount "Form 6781, Part IV." Then complete the rest of your tax return	
18 Alternative minimum tax.—Enter on Form 1040, line 49b or Form 1041, line 32. Write in the margin next to the amount, "Form 6781, line 18." (See instructions for line 18.)	
19 Add lines 17 and 18	

Section B.—Option Under Section 509(a)(3)—Tax To Be Paid In Installments

20 Refigure Part I and for regulated futures contracts held on the first day of the tax year, substitute Fair Market Value on last business day of previous tax year for Adjusted Basis, in column e. Attach computation and enter recomputed lines 4 and 5 here	
21 Using recomputed amounts in line 20 refigure taxable income and Part IV, section A. Attach computation and enter recomputed line 19 here	
22 Subtract line 21 from line 19. If zero or less, enter zero and do not complete the rest of Part IV	
23 Divide line 22 by the number of installments (but not more than 5) tax is to be paid	
24 Deferred tax. Subtract line 23 from line 22. (see instructions)	

Instructions

(Section references are to the Economic Recovery Tax Act of 1981 (P.L. 97–34).)

Paperwork Reduction Act Notice

The Paperwork Reduction Act of 1980 says we must tell you why we

Title V of P.L. 97–34 made significant changes to the tax treatment of gains and losses from commodity futures contracts and straddle positions. Generally, regulated futures contracts open at the close of the tax year are required to be marked to market (valued), and the gains and losses

Code section 1256(e)(3)) in the normal course of a trade or business. The transaction must be entered into primarily: (1) to reduce risk of price change or currency fluctuations with respect to property held by the taxpayer, or (2) to reduce risk of interest rate or price changes or currency

June 22, 1981 be subject to Part I and be taxed at 1982 rates. To make this election, (1) check the second box at the top of the form, (2) include all regulated futures contracts held at any time during the tax year in Part I, and (3) complete Part IV, Section A, if applicable. If you make the election under section 509, and some of the tax on your regulated futures contracts is attributable to appreciation occurring prior to 1981, you may be entitled to pay part of the tax in installments under section 509(a)(3). Complete Part IV, Section B, if you want to use this installment option.

Mixed straddle election.—A mixed straddle is any straddle, at least one (but not all) of the positions of which is a regulated futures contract, and with respect to which each position forming part of such straddle is clearly identified by the close of the day on which it was acquired as being part of such straddle. You may elect not to have Part I apply to regulated futures contracts that are part of a mixed straddle. If you make this election, it will apply for all subsequent tax years as well. It cannot be revoked without the consent of the Commissioner. To make this election, check the applicable box and report the regulated futures component in Part II instead of Part I. If you do not make this election, and you have a loss on the regulated futures component, reduce the loss by any unrealized gain on the non-regulated futures component before making an entry in Part I. You must also reduce the loss from any regulated futures component of a straddle which would be a mixed straddle if the positions were properly identified as such. Attach a computation and indicate in the property description that the contract is part of a mixed straddle.

Part I—Regulated Futures Contracts Marked to Market.

A regulated futures contract is a contract which requires delivery of personal property (as defined in instructions for Part II) or an interest in such property, with respect to which the amount required to be deposited or which may be withdrawn depends on a system of marking to market, and which is traded on or subject to the rules of either (1) a domestic board of trade designated as a contract market by the Commodity Futures Trading Commission or (2) any board of trade or exchange designated by the Secretary of the Treasury.

Include in Part I all regulated futures contracts acquired after June 23, 1981, whether or not you disposed of them by the end of the tax year. If you elect under section 508(c), also include those contracts held on June 23, 1981. If you elect under section 509, include all contracts held at any time during the tax year.

Column a.—Kind of property and description.—Enter the commodity, contract price, quantity, delivery date, and indicate whether the property is a long or short position. Example: Wheat, $4.00 a bushel, 5000 bushels, December 1982, long.

Column b.—Enter the date you acquired the regulated futures contract.

Column c.—If you disposed of the regulated futures contract during the tax year, enter the date sold. If you did not sell during the tax year, enter the word "open."

Column d.—If you disposed of the regulated futures contract during the tax year, enter the sales price less expense of sale. If you did not sell during the tax year, enter the settlement price for such contract at the end of the last business day of the tax year.

Column e.—Enter the cost or other basis of the regulated futures contract.

Columns f and g.—Enter the gain or loss from each regulated futures contract. Example: If a taxpayer enters into a contract to deliver 5000 bushels of wheat at $4.00 a bushel (without regard to purchase or sales expenses), the taxpayer should enter in column e $20,000. If the contract is closed at a price of $3.80 a bushel, $19,000 is entered in column d. If this was a short contract (a contract to sell) the taxpayer would realize a gain of $1,000 and enter it in column g. If this was a long contract (a contract to buy) the taxpayer would realize a loss of $1,000 and enter it in column f.

Part II—Gains and Losses From Straddle Positions.—Attach a separate schedule listing each straddle and its components. If it is an identified or mixed straddle, indicate this on the schedule.

Use Section A for losses from straddle positions and Section B for gains from straddle positions. Include in Part II positions that are part of an identified straddle. An *identified straddle* is any straddle (1) which is clearly identified on the taxpayer's records, before the close of the day on which the straddle is acquired, as an identified straddle, (2) all of the original positions which were acquired on the same day and were either disposed of on the same day during the tax year or none were disposed of by the end of the tax year, and (3) were not part of a larger straddle.

Straddle.—A straddle means offsetting positions with respect to personal property.

Position.—A position means an interest (including a futures or forward contract or option) in personal property.

Personal Property.—Any personal property (other than stock) of a type which is actively traded.

Offsetting positions.—If there is a substantial decrease in risk of loss to a taxpayer holding a position because that taxpayer or a related party also holds one or more other positions, than those positions are offsetting.

If any position is not part of an identified straddle, such position can not be treated as offsetting any position that is part of an identified straddle.

Related parties.—In determining whether two or more positions are offsetting, the taxpayer shall be treated as holding any position held by a spouse. In addition, the taxpayer is treated as holding positions held by taxpayers which file a consolidated return with the taxpayer, and as holding positions held by flow-through entities, to the extent the taxpayer has an interest in such entities.

For further information concerning definitions, flow-through entities, and specific rules as to the tax treatment of gains and losses from straddle positions, see Internal Revenue Code section 1092.

Columns a through e.—Enter the information similar to that required in Part I. In addition, if the property is part of an identified or mixed straddle, indicate this in column a. Include in column e interest and carrying charges properly allocable to personal property that is part of a straddle. You cannot deduct these expenses. See Internal Revenue Code section 263(g) for definition of interest and carrying charges.

Lines 7 and 9.—Separate recognized gains and losses into short-term and long-term. Attach a separate schedule. For the holding period for straddle positions, see Internal Revenue Code section 1092(b).

Part III—Unrealized Gains From Positions Held on Last Day of Tax Year.

Internal Revenue Code section 1092 contains a reporting requirement. You must complete Part III by listing each position (whether or not part of a straddle) that you held at the end of the tax year (including any position you are treated as holding because it is held by a related party) if the settlement price of the position at such time exceeds your cost or other basis as adjusted.

Do not include the following in Part III:

- Positions that are part of an identified straddle;

- Property that is stock in trade or inventory;
- Positions that are part of a hedging transaction (as defined in Code section 1256(e));
- Property used in a trade or business subject to depreciation.

If you do not have a loss on any position (including a regulated futures contract) for the entire tax year, do not complete this part.

Part IV—Section 509 election.

Line 11.—Enter your taxable income from your 1981 tax return:

- Form 1040, line 34;
- Form 1041, line 25;
- Form 1120, Line 30.

Lines 13, 14, and 16.—For purposes of figuring lines 13 and 14, do not use income averaging, etc. However, in figuring line 16 you may use any method that benefits you. On the applicable schedule (such as Schedule G) use the amount on Form 6781, line 12 instead of taxable income, where indicated on that schedule.

To obtain the 1982 tax rates see the 1982 Form 1040–ES or 1982 Form 1120–W. Fiduciaries, contact your local IRS office.

Line 17.—Enter the amount from this line onto your tax return:

Form 1040, line 35;

Form 1041, line 26a;

Form 1120, Schedule J, line 3.

Line 18.—If Form 6251, line 5 is more than $100,000, figure your alternative minimum tax for purposes of this part, by treating all regulated futures contracts held during the tax year as if they were disposed of after 6/9/81.

Line 20.—Fair market value on the last business day of previous tax year is the settlement price for that day. Example: If the settlement price for an open 5,000 bushels of wheat contract is $3.85 a bushel, substitute $19,-250.00 for adjusted basis in refiguring Part I.

Line 22.—If your tax return shows a refund, enter zero on this line.

Line 24.—The first installment must be paid by the due date of your 1981 tax return (including extensions). Each later installment is due on the due date of each subsequent tax return without extensions. You will be billed for each subsequent installment. Interest will be charged from the due date of your 1981 tax return.

Enter the deferred tax from this line in the margin of your tax return, next to the balance due amount. Write "Deferred tax from Form 6781, line 24." In paying your tax for 1981, reduce the balance due (but not below zero) by the deferred tax.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1982—O-363-696

363–696–3