Form **6781**

Department of the Treasury
Internal Revenue Service

Gains and Losses From Section 1256 Contracts and Straddles

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

OMB No. 1545-0644

1984

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

A. ☐ Check here if you made the mixed straddle election this year or an earlier year. (See instructions)
B. ☐ Check here if you elect to carryback a net section 1256 contracts loss. (See instructions)
C. ☐ Other elections (see instructions) .....

Part I Section 1256 Contracts Marked to Market

	a. Identification of account	b. LOSS	c. GAIN
1			
2	Add column b and column c, line 1	( )	
3	Combine columns b and c of line 2 and enter the net gain or (loss)		
4	Form 1099-B adjustments (see instructions, attach schedule)		
5	Combine lines 3 and 4		
6	If you have a net section 1256 contracts loss and checked box B, enter the amount to be carried back		( )
7	Subtract line 6 from line 5		
8	Multiply line 7 by 40%. Enter as a short-term capital gain or (loss) on Schedule D, Part I. Identify as Form 6781		

13a	Enter short-term portion of line 12, column f here and on Schedule D, Part I. Identify as Form 6781, Part II				
b	Enter long-term portion of line 12, column f here and on Schedule D, Part II. Identify as Form 6781, Part II				

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

	a. Description of property	b. Date acquired	c. Fair market value on last business day of tax year	d. Cost or other basis as adjusted	e. UNRECOGNIZED GAIN If column c is more than d, enter difference. Otherwise, enter zero.
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For Paperwork Reduction Act Notice, see back of form.

Instructions

(Section references are to the Internal Revenue Code.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—Form 6781 is to be used by individuals, partnerships, fiduciaries, corporations, etc., that held section 1256 contracts or straddles.

Do not use Form 6781 to report hedging transactions, as defined in section 1256(e). Report them directly on your tax return. Any gain or loss on a hedging transaction is treated as ordinary income or loss. For limitation on losses from hedging transactions see section 1256(e)(5).

Traders in section 1256 contracts, see section 1256(f)(3) for positions established after July 18, 1984.

Elections.—

Mixed straddle election.—You may elect not to have the marked to market rules apply to section 1256 contracts that are part of a mixed straddle. A mixed straddle is any straddle, at least one (but not all) of the positions of which is a section 1256 contract. Each position forming part of the straddle must be clearly identified on the day the first section 1256 contract forming part of the straddle is acquired as being part of such straddle. If you made this election, it will apply for all later years as well. It cannot be revoked without the consent of the Commissioner. If you made this election, check box A and report the section 1256 component in Part II instead of Part I.

If you did not make this election, and you have a loss on the section 1256 component, use Part II to reduce the loss by any unrecognized gain on the non-section 1256 component before making an entry in Part I. You must also reduce the loss from any section 1256 component of a straddle which would be a mixed straddle if the positions had been properly identified as such.

Attach a computation and indicate in the property description if the contract is part of a mixed straddle.

You also may elect to offset gains and losses from positions that are part of a mixed straddle by establishing a mixed straddle account or by straddle-by-straddle identification. For more information, see section 1092(b)(2).

Net section 1256 contracts loss election.—An individual or partnership having a net section 1256 contracts loss for 1984 may elect to carry it back three years. The amount which may be carried back cannot be more than the net section 1256 contracts gain in the year to which the loss is carried. The loss is carried to the earliest year first. See section 1212(c) for definition of net section 1256 contracts loss and net section 1256 contracts gain. Make the election by checking box B and entering the amount to be carried back in line 6. To carry your loss back, file an amended Form 6781 for the applicable year, together with a Form 1040X or amended return.

Other elections.—Check box C if you are making an election under section 102(g)(1), or section 102(g)(2) of Public Law 98-369. Further, if you elected under section 102(g)(2), you may make an election under section 102(h) of Public Law 98-369. Indicate in the space next to box C, which section(s) you are electing. In addition, if you are making an election under section 102(h), also include in that space the amount of tax to be paid in installments, and the number of installments. Also attach to Form 6781, a computation of the tax to be paid in installments.

Enter the deferred tax from that computation in the margin of your tax return next to the balance due amount. Write "Deferred tax from Form 6781." In paying your tax for 1984, reduce the balance due (but not below zero) by the deferred tax.

Part I

A section 1256 contract is (1) any regulated futures contract, (2) any foreign currency contract, (3) any nonequity option, and (4) any dealer equity option.

A regulated futures contract is a contract for which the amount required to be deposited or withdrawn depends on a system of marking to market, and is traded on or subject to the rules of a qualified board or exchange.

For definitions of qualified board or exchange, foreign currency contract, nonequity option, and dealer equity option, see section 1256(g).

Positions established with respect to nonequity options and dealer equity options before July 19, 1984 were not section 1256 contracts. However, options with respect to regulated futures contracts established after 10/31/83 are section 1256 contracts. See the instructions for Other Elections, above.

Include in Part I all section 1256 contracts open at the end of your tax year or closed out during the year. If you receive a Form 1099-B or equivalent statement, enter the amount from box 9 of each form in columns b or c of Form 6781, Part I. In column a of Form 6781, Part I write "Form 1099-B" and identify the account by writing the broker's name.

On Form 6781, Part I, list each transaction separately for which you do not receive a Form 1099-B or equivalent statement, or if the Form 1099-B is not for your tax year. Describe each transaction in column a.

Line 4.— If the Form 1099-B you receive includes a straddle or hedging transaction, it may be necessary to make certain adjustments listed in (a) through (c) below. Attach a schedule listing each adjustment and enter the total on line 4.

(a) Enter the regulated futures part of a mixed straddle if you made the mixed straddle election.

(b) If you did not make the mixed straddle election or the straddle wasn't identified as a mixed straddle and you had a loss on the regulated futures part which was less than the unrecognized gain on the non-regulated futures part, enter the amount of the loss. If the unrecognized gain is less than the loss, enter the unrecognized gain.

(c) Enter the regulated futures part of a hedging transaction.

Part II

Attach a separate schedule listing each straddle and its component positions. If it is an identified or mixed straddle, indicate this on the schedule.

Use section A for losses from positions that are part of a straddle. A loss is allowed only to the extent it exceeds the unrecognized gain on offsetting positions. The part of the loss not allowed is treated as if incurred in the following year.

Use section B for gains from positions that are part of a straddle.

Do not include in Part II, positions that are part of an identified straddle if all of the positions are open at the end of the year. If you closed the entire identified straddle or any positions of the straddle during the tax year, then include the straddle in Part II. See section 1092(a)(2)(B) for definition of an identified straddle.

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

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, then 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.

For further information concerning exceptions, definitions, related parties, flow through entities, and specific rules as to the tax treatment of gains and losses from straddles, see section 1092.

Column a.—Enter the personal property, delivery date, and indicate whether the property is a long or short position .

Column b.—Enter the date you entered into or acquired the position.

Column c.—Enter the date you closed out or sold the position.

Columns d and e.—For positions sold or closed out, enter the sales price or closing price in column d, and the cost or other basis plus commissions paid in column e. 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 section 263(g) for definition of interest and carrying charges.

Section A, column f.—Include in this column any loss not allowed in the prior year to the extent of the unrecognized gain.

Section A, column g.—Enter the unrecognized gain on positions offsetting those in columns a through f. Figure this column by subtracting the cost or other basis of the offsetting position from the settlement price of that position as of the close of the last business day of your 1984 tax year. Do not enter less than zero.

Lines 11 and 13.—Separate recognized gains and losses into short-term and long-term. Attach a separate schedule.

Part III

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 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, or your only loss was on a position listed above, do not complete this part.

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