2008 Instructions for Schedule D

Capital Gains and Losses

Use Schedule D (Form 1040) to report the following:

- The sale or exchange of a capital asset (defined on this page) not reported on another form or schedule.
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions not reported directly on Form 1040, line 13 (or effectively connected capital gain distributions not reported directly on Form 1040NR, line 14).
- Nonbusiness bad debts.

Additional information. See Pub. 544 and Pub. 550 for more details. For a comprehensive filled-in example of Schedule D, see Pub. 550.

General Instructions

Other Forms You May Have To File

Use Form 4797 to report the following.

1. The sale or exchange of:
   a. Property used in a trade or business;
   b. Depreciable and amortizable property;
   c. Oil, gas, geothermal, or other mineral property; and
   d. Section 126 property.

2. The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.

3. The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.

4. Ordinary loss on the sale, exchange, or worthlessness of small business investment company stock.

5. Ordinary loss on the sale, exchange, or worthlessness of small business stock.

Deemed sales by expatriates. If you give up your citizenship after June 16, 2008, you may be treated as having sold all your property for its fair market value on the day before you gave up your citizenship. This also applies to long-term U.S. residents who cease to be lawful permanent residents. For details, exceptions, and rules for reporting these deemed sales, see Pub. 519 and Form 8854.

What’s New

Tax rate on qualified dividends and net capital gain reduced. The 5% tax rate on qualified dividends and net capital gain is reduced to zero. The line on last year’s Schedule D Tax Worksheet that reflected the 5% rate has been deleted.

Sale of your home. A surviving spouse may be able to exclude up to $500,000 of gain from the sale or exchange of a main home after 2007. Also, the election to suspend the 5-year test period for ownership and use of a main home now can be made by Peace Corps employees and volunteers serving outside the United States. See Sale of Your Home on page D-2.

Deemed gains from involuntary conversions of property due to casualty or theft.

Use Form 4684 to report involuntary conversions of property originally held as capital assets. If you previously made a basis adjustment for one reason or another, see Pub. 544 and Pub. 550 for more details. For a comprehensive filled-in example of Schedule D, see Pub. 550.

TIP

You can elect to treat as capital gains and losses certain musical compositions, letters or memoranda, or similar property; and (c) that you received from someone who created them for or whom they were created, as mentioned in (a) or (b), in a way (such as by gift) that entitled you to the basis of the previous owner. But see the Tip on this page.

- U.S. Government publications, including the Congressional Record, that you received from the Government, other than by purchase at the normal sales price, or that you got from someone who had received it in a similar way, if your basis is determined by reference to the previous owner’s basis.

- Certain commodities derivative financial instruments held by a dealer. See section 1221(a)(6).

- Certain hedging transactions entered into in the normal course of your trade or business. See section 1221(a)(7).

- Supplies regularly used in your trade or business.

Basis and Recordkeeping

Basis is the amount of your investment in property for tax purposes. You need to know your basis to figure any gain or loss on the sale or other disposition of the property. You must keep accurate records that show the basis and adjusted basis of your property. Your records should show the purchase price, including commissions; increases to basis, such as the cost of improvements; and decreases to basis, such as depreciation, nontaxable distributions on stock, and stock splits.

For more information on basis, see page D-7 and these publications.

- Pub. 551, Basis of Assets.
- Pub. 564, Mutual Fund Distributions.

If you lost or did not keep records to determine your basis in securities, contact your broker for help.
Short Term or Long Term
Separate your capital gains and losses accor- dding to how long you held or owned the property. The holding period for short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.

If you disposed of property that you ac- quired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property.

A nonbusiness bad debt must be treated as a short-term capital loss. See Sec. 1244 for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Capital Gain Distributions
These distributions are paid by a mutual fund (or other regulated investment com- pany) or real estate investment trust from its net realized long-term capital gains. Dis- tributions of net realized short-term capital gains are not treated as capital gains. In- stead, they are included on Form 1099-DIV as ordinary dividends.

Enter on line 13 the total capital gain distributions paid to you during the year, regardless of how long you held your in- vestment. This amount is shown in box 2a of Form 1099-DIV.

If there is an amount in box 2b, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 if you complete line 19 of Schedule D.

If there is an amount in box 2c, see Exclusion of Gain on Qualified Small Business (QSBS) Stock on page D-4.

If there is an amount in box 2d, include that amount on line 4 of the 28% Rate Gain Worksheet on page D-8 if you complete line 18 of Schedule D.

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on line 13 only the amount that belongs to you. Attach a statement showing the full amount you received and the amount you received as a nominee. See the Instructions for Schedule B for filing requirements for Forms 1099-DIV and 1096.

Sale of Your Home
If you sold or exchanged your main home, do not report it on your tax return unless your gain is more than your exclusion amount. To determine your exclusion amount:

- You acquired your home in a like-kind exchange in which all or part of the gain was not recognized, and
- You sold or exchanged the home dur- ing the 5-year period beginning on the date you acquired it.

Generally, if you meet the following two tests, you can exclude up to $500,000 of gain. If both you and your spouse meet these tests and you file a joint return, you can exclude up to $250,000 of gain (but only one spouse needs to meet the owner- ship requirement in Test 1).

Test 1. You owned and used the home as your main home for 2 years or more during the 5-year period ending on the date you sold or exchanged your home.

Test 2. You have not excluded gain on the sale or exchange of another main home during the 2-year period ending on the date of the sale or exchange of your home.

Even if you do not meet one or both of the above two tests, you still can claim an exclusion if you sold or exchanged the home because of a change in place of em- ployment, health, or certain unforeseen cir- cumstances. In this case, the maximum amount of gain you can exclude is reduced. If your spouse died before the sale or exchange, you can exclude up to $500,000 of gain if:

- The sale or exchange is no later than 2 years after your spouse’s death,
- Just before your spouse’s death, both spouses met the use requirement of Test 1, at least one spouse met the ownership re- quirement of Test 1, and both spouses met Test 2, and
- You did not remarry before the sale or exchange.

You can choose to have the 5-year test period for ownership and use in Test 1 above suspended during any period you or your spouse serve outside the United States as a Peace Corps volunteer or serve on qualified official extended duty as a mem- ber of the uniformed services or Foreign Service of the United States, as an em- ployee of the intelligence community, or outside the United States as an employee of the Peace Corps. This means you may be able to meet Test 1 even if, because of your service, you did not actually use the home as your main home for at least the required 2 years during the 5-year period ending on the date of sale.

See Pub. 523 for details, including how to report any taxable gain if:

- You (or your spouse if married) used any part of the home for business or rental purposes after May 6, 1997, or
- You sold or exchanged the home.

Capital Losses
You can deduct capital losses up to the amount of your capital gains plus $3,000 ($1,500 if married filing separately).

Income, collectibles gain (28% rate gain), or (that is, a bequest of a sum of money). You may be able to use capital losses that ex- ceed this limit in future years. For details, see the instructions for line 21 on page D-9.

Nondeductible Losses
Do not deduct a loss from the direct or indirect sale or exchange of property be- tween any of the following:

- Members of a family.
- A corporation and an individual own- ing more than 50% of the corporation’s stock (unless the loss is from a distribution in complete liquidation of a corporation).
- A grantor and a beneficiary of the same trust.
- A fiduciary and a beneficiary of an- other trust created by the same grantor.
- An executor of an estate and a benefi- ciary of that estate, unless the sale or ex- change was to satisfy a pecuniary bequest (that is, a bequest of a sum of money).
- An individual and a tax-exempt or- ganization controlled by the individual or the individual’s family.

See Pub. 544 for more details on sales and exchanges between related parties.

If you disposed of (a) an asset used in an activity to which the at-risk rules apply or (b) any part of your interest in an activity to which the at-risk rules apply, you have
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amounts in the activity for which you are not at risk, see the Instructions for Form 6198.

If the loss is allowable under the at-risk rules, it then may be subject to the passive activity rules. See Form 8582 and its instructions for details on reporting capital gains and losses from a passive activity.

**Items for Special Treatment**

- **Transactions by a securities dealer.** See section 1236.
- **Bonds and other debt instruments.** See Pub. 550.
- **Certain real estate subdivided for sale that may be considered a capital asset.** See section 1237.
- **Gain on the sale of depreciable property to a more than 50% owned entity or to a trust for which you are a beneficiary.** See Pub. 544.
- **Gain on the disposition of stock in an interest charge domestic international sales corporation.** See section 995(c).
- **Gain on the sale or exchange of stock or an interest in a trust held for more than 1 year, which may result in collectible gain.** See the instructions for line 18 on page D-8.
- **Gain or loss on the disposition of securities futures contracts.** See Pub. 550.
- **Gain on the constructive sale of certain appreciated financial positions.** See Pub. 550.
- **Certain constructive ownership transactions.** Gain in excess of the gain you would have recognized if you had held a financial asset directly during the term of a derivative contract must be treated as ordinary income. See section 1260. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. See section 1260(b) for details, including how to figure the interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). Write “Section 1260(b) interest” and the amount of the interest in the left of line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **The sale of publicly traded securities, held for at least 3 years, to an employee stock ownership plan or eligible retirement plan.** If you elect to postpone gain by purchasing qualified common stock, see Pub. 550. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **The sale of qualified securities, held for at least 3 years, to an employee stock ownership plan or eligible retirement plan.** If you elect to postpone gain by purchasing qualified replacement property, see Pub. 550. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **You must carry on the activity with closer than 2 years, which may result in capital gains.** See Pub. 550. If you elect to postpone gain by purchasing qualified replacement property, see Pub. 550. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **The extent to which you pursue the activity to produce income for a livelihood.** See Pub. 550. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **The amount of time you devote to the activity.** See Pub. 550. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend.** See Pub. 550.
- **Load charges to acquire stock in a regulated investment company (including a mutual fund), which may not be taken into account in determining gain or loss on certain dispositions of the stock if reinvestment rights were exercised.** See Pub. 564.
- **The sale or exchange of S corporation stock or an interest in a trust held for more than 1 year, which may result in collectible gain.** See the instructions for line 18 on page D-8.
- **Gain or loss on the disposition of securities futures contracts.** See Pub. 550.
- **Gain on the constructive sale of certain appreciated financial positions.** See Pub. 550.
- **Gain or loss on the disposition of stock or other securities in an investment club.** See Pub. 550.
- **Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend.** See Pub. 550.
- **Load charges to acquire stock in a regulated investment company (including a mutual fund), which may not be taken into account in determining gain or loss on certain dispositions of the stock if reinvestment rights were exercised.** See Pub. 564.
- **The sale or exchange of S corporation stock or an interest in a trust held for more than 1 year, which may result in collectible gain.** See the instructions for line 18 on page D-8.
- **Gain or loss on the disposition of securities futures contracts.** See Pub. 550.
- **Gain on the constructive sale of certain appreciated financial positions.** See Pub. 550.
- **Certain constructive ownership transactions.** Gain in excess of the gain you would have recognized if you had held a financial asset directly during the term of a derivative contract must be treated as ordinary income. See section 1260. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. See section 1260(b) for details, including how to figure the interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). Write “Section 1260(b) interest” and the amount of the interest in the left of line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **The sale of publicly traded securities, held for at least 3 years, to an employee stock ownership plan or eligible retirement plan.** If you elect to postpone gain by purchasing qualified replacement property, see Pub. 550. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **The sale of qualified securities, held for at least 3 years, to an employee stock ownership plan or eligible retirement plan.** If you elect to postpone gain by purchasing qualified replacement property, see Pub. 550. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **The extent to which you pursue the activity to produce income for a livelihood.** See Pub. 550. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). This interest is not deductible.
- **The amount of time you devote to the activity.** See Pub. 550. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. Include the interest as an additional tax on Form 1040, line 61 (or Form 1040NR, line 57). This interest is not deductible.

Traders in Securities

You are a trader in securities if you are engaged in the business of buying and selling securities for your own account. To be engaged in business as a trader in securities, all of the following statements must be true:

- You must seek to profit from daily market movements in the prices of securities and not from dividends, interest, or capital appreciation.
- Your activity must be substantial.
- You must carry on the activity with continuity and regularity.

The following facts and circumstances should be considered in determining if your activity is a business:

- Typical holding periods for securities bought and sold.
- The frequency and dollar amount of your trades during the year.
- The extent to which you pursue the activity to produce income for a livelihood.
- The amount of time you devote to the activity.

You are considered an investor, and not a trader, if your activity does not meet the above definition of a business. It does not matter whether you call yourself a trader or a “day trader.”

Like an investor, a trader must report each sale of securities (taking into account commissions and any other costs of acquiring or disposing of the securities) on Schedule D or D-1 or on an attached statement containing all the same information for each sale in a similar format. However, if a trader previously made the mark-to-market election (see page D-4), each transaction is reported in Part II of Form 4797 instead of Schedules D and D-1. Regardless of whether a trader reports his or her gains and losses on Schedules D and D-1 or Form 4797, the gain or loss from the disposition of securities is not taken into account when figuring net earnings from self-employment on Schedule SE. See the instructions for Schedule SE for an exception that applies to section 1256 contracts.

The limitation on investment interest expense that applies to investors does not apply to interest paid or incurred in a trading business. A trader reports investment interest expense and other expenses (excluding commissions and other costs of acquiring or disposing of securities) from a trading business on Schedule C (instead of Schedule A).

A trader also may hold securities for investment. The rules for investors generally will apply to those securities. Allocate
interest and other expenses between your holding period for the new stock includes trading business and your investment se-

Mark-To-Market Election for Traders
A trader may make an election under sec-
tion 475(f) to report all gains and losses from securities held in connection with a trading business as ordinary income (or loss), including those from securities held at the end of the year. Securities held at the end of the year are “marked to market” by treating them as if they were sold (and reac-
quired) for fair market value on the last business day of the year. Generally, the election must be made by the due date (not including extensions) of the tax return for the year for which the election becomes effective. To be effective for 2008, the election must have been made by April 15, 2008.

Starting with the year the election be-
comes effective, a trader reports all gains and losses from securities held in connec-

If you hold securities for investment, you must identify them as such in your records on the day you acquired them (for example, by holding the securities in a sepa-
rate brokerage account). Securities held for investment are not marked-to-market.

Short Sales
A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you must either (a) buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale. Usually, your holding period is the amount of time you actually held the prop-
erty eventually delivered to the lender to close the short sale. However, your gain when closing a short sale is short term if you (a) held substantially identical property for 1 year or less on the date of the short sale, or (b) acquired property substantially identical to the property sold short after the short sale but on or before the date you close the short sale. If you held substan-
tially identical property for more than 1 year on the date of a short sale, any loss realized on the short sale is a long-term capital loss, even if the property used to close the short sale was held 1 year or less.

Gain or Loss From Options
Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract but is a capital asset in your hands. If an option that you purchased expired, enter the expiration date in column (c) and enter “EXPIRED” in column (d). If an option that was granted (written) ex-
pired, enter the expiration date in column (b) and enter “EXPIRED” in column (e).

Fill in the other columns as appropriate. See Pub. 550 for details.

Undistributed Capital Gains
Include on line 11 the amount from box 1a of Form 2439. This represents your share of the undistributed long-term capital gains of the regulated investment company (includ-
ing a mutual fund) or real estate investment trust.

If there is an amount in box 1b, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 if you complete line 19 of Schedule D.

If there is an amount in box 1c, see Exclusion of Gain on Qualified Small Business (QSB) Stock on this page.

If there is an amount in box 1d, include that amount on line 4 of the 28% Rate Gain Worksheet on page D-8 if you complete line 18 of Schedule D.

Enter on Form 1040, line 68, or Form 1040NR, line 63, the tax paid as shown in box 2 of Form 2439. Also check the box for Form 2439. Add to the basis of your stock the excess of the amount included in in-
come over the amount of the credit for the tax paid. See Pub. 550 for details.

Installment Sales
If you sold property (other than publicly traded stocks or securities) at a gain and you will receive a payment in a tax year after the year of your sale, you generally must report the sale on the installment method unless you elect not to. Use Form 6252 to report the sale on the installment method. Also use Form 6252 to report any payment received in 2008 from a sale made in an earlier year that you reported on the install-
ment method.

To elect out of the installment method, report the full amount of the gain on Sched-
ule D on a timely filed return (including extensions) for the year of the sale. If your original return was filed on time, you can make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write “Filed pursuant to section 301.9100-2” at the top of the amended re-
turn.

Demutualization of Life Insurance Companies
Demutualization of a life insurance com-
pany occurs when a mutual life insurance company changes to a stock company. If you were a policyholder or annuitant of the mutual company, you may have received either stock in the stock company or cash in exchange for your interest in the mu-
tual company. The basis of your equity in-
terest in the mutual company is considered to be zero.

If the demutualization transaction quali-
fies as a tax-free reorganization, no gain is recognized on the exchange of your equity interest in the mutual company for stock. The company can advise you if the transac-
tion is a tax-free reorganization. Because the basis of your equity interest in the mu-
tual company is considered to be zero, your basis in the stock received is zero. Your holding period for the new stock includes the period you held an equity interest in the mutual company. If your new stock is held in exchange for your equity interest, you must recognize a capital gain in an amount equal to the cash received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1.

If the demutualization transaction does not qualify as a tax-free reorganization, you must recognize a capital gain in an amount equal to the cash and fair market value of the stock received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1. Your holding period for the new stock begins on the day after you re-
ceived the stock.

Exclusion of Gain on Qualified Small Business (QSB) Stock
Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of QSB stock. The section 1202 exclusion applies only to QSB stock held for more than 5 years. The exclusion can be up to 60% for certain empowerment zone business stock. See Empowerment Zone Business Stock on page D-5.

To be QSB stock, the stock must meet all of the following tests.

1. It must be stock in a C corporation (that is, not an S corporation stock).

2. It must have been originally issued after August 10, 1993.

3. As of the date the stock was issued, the corporation was a domestic C corpora-
tion with total gross assets of $50 million or less (a) at all times after August 9, 1993, and before the stock was issued, and (b) immediately after the stock was issued. Gross assets include those of any predeces-
sor of the corporation. All corporations that are members of the same parent-subsidary controlled group are treated as one corpora-
tion.

4. You must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or in other property or as part of the payment for serv-
ices (other than as an underwriter) to the corporation. In certain cases, you may meet the test if you acquired the stock from an-
other person who met the test (such as by gift or inheritance) or through a conversion or exchange of QSB stock you held.

5. During substantially all the time you held the stock:

a. The corporation was a C corporation.

b. At least 80% of the value of the corporation’s assets were used in the active conduct of one or more qualified busi-
nesses (defined below), and

c. The corporation was not a foreign corporation, DISC, former DISC, regulated invest-
ment trust, REMIC, FASIT, cooperative, or
a corporation that has made (or that has a subsidiary that has made) a section 936 election.

SSBIC. A specialized small business investment company (SSBIC) is treated as having met test 5b.

Qualified Business
A qualified business is any business that is not one of the following:
• A business involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletic, financial services, or brokerage services.
• A business whose principal asset is the reputation or skill of one or more employees.
• A banking, insurance, financing, leasing, investing, or similar business.
• A farming business (including the raising or harvesting of trees).
• A business involving the production of products for which percentage depletion can be claimed.
• A business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see section 1202.

Empowerment Zone Business Stock
You generally can exclude up to 60% of your gain if you meet the following additional requirements:
1. The stock you sold or exchanged was stock in a corporation that qualified as an empowerment zone business during substantially all of the time you held the stock.

Requirement 1 will still be met if the corporation ceased to qualify after the 5-year period that began on the date you acquired the stock. However, the gain that qualifies for the 60% exclusion cannot be more than the gain you would have had if you had sold the stock on the date the corporation ceased to qualify.

For more information about empowerment zone businesses, see Pub. 954.

Pass-Through Entities
If you held an interest in a pass-through entity (a partnership, S corporation, or mutual fund or other regulated investment company) that sold QSB stock, to qualify for the exclusion you must have held the interest on the date the pass-through entity acquired the QSB stock and at all times thereafter until the stock was sold.

How To Report
Report on line 8 the entire gain realized on the sale of QSB stock. Complete all columns as indicated. Directly below the line on which you reported the gain, enter in column (a) “Section 1202 exclusion” and enter as a loss in column (f) the amount of the allowable exclusion. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter 7/8 of the exclusion.

Gain from Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2c, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion.

In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter 7/8 of the exclusion.

Gain from Form 2439. If you received a Form 2439 with a gain in box 1c, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion.

In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter 7/8 of the exclusion.

Gain from an installment sale of QSB stock. If all payments are not received in the year of sale, a sale of QSB stock that is not treated on an established securities market generally is treated as an installment sale. Report on Form 6252. Figure the allowable section 1202 exclusion for the year by multiplying the total amount of the exclusion by a fraction. The numerator of which is the amount of eligible gain to be recognized for the tax year and the denominator of which is the total amount of eligible gain. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter 7/8 of the exclusion.

Alternative minimum tax. You must enter 7% of your allowable exclusion for the year on line 13 of Form 6251.

Rollover of Gain From QSB Stock
If you sold QSB stock (defined beginning on page D-7 that you held for more than 6 months, you can elect to postpone gain if you purchase other QSB stock during the 60-day period that began on the date of the sale. A pass-through entity also can make the election to postpone gain. The benefit of the postponed gain applies to your share of the entity’s postponement gain if you held an interest in the entity for the entire period the entity held the QSB stock. If a pass-through entity sold QSB stock held for more than 6 months and you held an interest in the entity for the entire period the entity held the stock, you also can elect to postpone gain if you, rather than the pass-through entity, purchase the replacement QSB stock within the 60-day period. If you were a partner in a partnership that sold or bought QSB stock, see box 11 of the Schedule K-1 (Form 1065) sent to you by the partnership and Regulations section 1.1045-1.

You must recognize gain to the extent the sale proceeds exceed the cost of the replacement stock. Reduce the basis of the replacement stock by any postponed gain.

You must make the election no later than the due date (including extensions) for filing your tax return for the tax year in which the QSB stock was sold. If your original return was filed on time, you can make the election on a amended return filed no later than 6 months after the due date of your return (excluding extensions). Write “Filed pursuant to section 301.9100-2” at the top of the amended return.

To make the election, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) “Sec- tion 1045 rollover,” and enter the amount of the postponed gain as a (loss) in column (f).

Rollover of Gain From Empowerment Zone Assets
If you sold a qualified empowerment zone asset that you held for more than 1 year, you may be able to elect to postpone part or all of the gain that you would otherwise include on Schedule D. If you make the election, the gain on the sale generally is recognized only to the extent, if any, that the amount realized on the sale exceeds the cost of qualified empowerment zone assets (replacement property) you purchased during the 60-day period beginning on the date of the sale. The gain on such property is treated as ordinary income or (b) attributable to real property, or an intangible asset, that is not an integral part of an enterprise zone business.

The District of Columbia enterprise zone is not treated as an empowerment zone for this purpose.

The election is irrevocable without IRS consent.

See Pub. 954 for the definition of empowerment zone and enterprise zone business. You can find out if your business is located within an empowerment zone by using the RE/EZ/EC Address Locator at www.hud.gov/erlocator.
Qualified empowerment zone assets are:

1. Tangible property, if:
   a. You acquired the property after December 31, 2008, or
   b. The original use of the property in the empowerment zone began with you, and
   c. Substantially all of the use of the property, during substantially all of the time that you held it, was in your empowerment zone business; and
2. Stock in a domestic corporation or a capital or profits interest in a domestic partnership, if:
   a. You acquired the stock or partnership interest after December 31, 2000, solely in exchange for cash, from the corporation at its original issue (directly or through an underwriter) or from the partnership;
   b. The business was an empowerment zone business (or a new business being organized as an enterprise zone business) as of the time you acquired the stock or partnership interest; and
   c. The business qualified as an enterprise zone business during substantially all of the time you held the stock or partnership interest.

How to report. Report the entire gain realized from the sale as you otherwise would without regard to the election. On Schedule D, line 8, enter “DC Zone Asset” in column (a) and enter as a loss in column (f) the amount of the allowable exclusion. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

Exclusion of Gain From Qualified Community Assets

If you sold or exchanged a qualified community asset that you acquired after 2001 and held for more than 5 years, you may be able to exclude the qualified capital gain that you would otherwise include on Schedule D. The exclusion applies to an interest in, or property of, certain qualified community businesses.

Qualified community asset. A qualified community asset is any of the following:

- A qualified community business;
- Qualified community partnership interest;
- Qualified community business property.

Qualified capital gain. Qualified capital gain is any gain recognized on the sale or exchange of a qualified community asset that is a capital asset or property used in a trade or business. It does not include any of the following gains:

- Gain treated as ordinary income under section 1245.
- Section 1250 gain figured as if section 1250 applied to all depreciation rather than the additional depreciation.
- Gain attributable to real property, or an intangible asset, that is not an integral part of a DC Zone business.
- Gain from a related-party transaction.

See Sales and Exchanges Between Related Persons in chapter 2 of Pub. 544.

How to report. Report the entire gain realized from the sale or exchange as you otherwise would, without regard to the exclusion. On Schedule D, line 8, enter “DC Zone Asset” in column (a) and enter as a loss in column (f) the amount of the allowable exclusion. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

Exclusion of Gain From Qualified Community Assets

If you sold or exchanged a qualified community asset that you acquired after 2001 and held for more than 5 years, you may be able to exclude the qualified capital gain that you would otherwise include on Schedule D. The exclusion applies to an interest in, or property of, certain qualified community businesses.

Qualified community asset. A qualified community asset is any of the following:

- A qualified community business;
- Qualified community partnership interest;
- Qualified community business property.

Qualified capital gain. Qualified capital gain is any gain recognized on the sale or exchange of a qualified community asset that does not include any of the following.

- Gain treated as ordinary income under section 1245.
- Section 1250 gain figured as if section 1250 applied to all depreciation rather than the additional depreciation.
- Gain attributable to real property, or an intangible asset, that is not an integral part of a DC Zone business.
- Gain from a related-party transaction.

See Sales and Exchanges Between Related Persons in chapter 2 of Pub. 544.

How to report. Report the entire gain realized from the sale or exchange as you otherwise would, without regard to the exclusion. On Schedule D, line 8, enter “DC Zone Asset” in column (a) and enter as a loss in column (f) the amount of the allowable exclusion. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

Specific Instructions

Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 4684, 4797, 6252, 6781, or 8824). But do not report the sale or exchange of your main home unless required (see page D-2). Include these transactions even if you did not receive a Form 1099-B or 1099-S (or substitute statement) for the transaction. You can use stock ticker symbols or abbreviations to describe the property, as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

You must enter the details of each transaction on a separate line of Schedule D. If you have more than five transactions to report on Schedule D and D-1, you can report them on attached statements containing all the same information as Schedules D and D-1 and in a similar format. Use as many Schedules D-1 or attached statements as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1 or the attached statements. Do not enter “available upon request” and summary totals in lieu of reporting the details of each transaction on Schedules D and D-1 or attached statements.

Add the following amounts reported to you for 2008 on Forms 1099-B and 1099-S (or substitute statements) that you are not reporting on another form or schedule included with your return: (a) proceeds from transactions involving stocks, bonds, and other securities; and (b) gross proceeds from real estate transactions (other than the sale of your main home if you are not required to report it). If this total is more than the total of lines 3 and 10, attach an explanation of the difference (for example, you were the nominee for the actual owner of the property).
Column (d)—Sales Price
Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B (or substitute statement) from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), do not include the commissions and option premiums from the sale in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).

Be sure to add all sales price entries on lines 1 and 8, column (d), to amounts on lines 2 and 9. Enter the totals on columns (a) and (e). Capital Loss Carryover Worksheet—Lines 6 and 14

Keep for Your Records

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Enter the amount from your 2007 Form 1040, line 41, or your 2007 Form 1040NR, line 38. If a loss, enclose the amount in parentheses.</td>
</tr>
<tr>
<td>2.</td>
<td>Enter the loss from your 2007 Schedule D, line 21, as a positive amount.</td>
</tr>
<tr>
<td>3.</td>
<td>Combine lines 1 and 2. If zero or less, enter -0-.</td>
</tr>
<tr>
<td>4.</td>
<td>Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B (or substitute statement) from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), do not include the commissions and option premiums from the sale in column (e).</td>
</tr>
<tr>
<td>5.</td>
<td>Enter the amount from your 2007 Schedule D, line 7, as a positive amount.</td>
</tr>
<tr>
<td>6.</td>
<td>Enter any gain from your 2007 Schedule D, line 15. If a loss, enter -0-.</td>
</tr>
<tr>
<td>7.</td>
<td>Add lines 4 to 6.</td>
</tr>
<tr>
<td>8.</td>
<td>Subtract line 7 from line 5. If zero or less, enter -0-.</td>
</tr>
<tr>
<td>9.</td>
<td>Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B (or substitute statement) from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), do not include the commissions and option premiums from the sale in column (e).</td>
</tr>
<tr>
<td>10.</td>
<td>Enter any gain from your 2007 Schedule D, line 7. If a loss, enter -0-.</td>
</tr>
<tr>
<td>11.</td>
<td>Subtract line 5 from line 4. If zero or less, enter -0-.</td>
</tr>
<tr>
<td>12.</td>
<td>Add lines 10 and 11.</td>
</tr>
<tr>
<td>13.</td>
<td>Subtract line 12 from line 9. If zero or less, enter -0-.</td>
</tr>
</tbody>
</table>

Use this worksheet to figure your capital loss carryovers from 2007 to 2008 if your 2007 Schedule D, line 21, is a loss and (a) that loss is a smaller loss than the loss on your 2007 Schedule D, line 16, or (b) the amount on your 2007 Form 1040, line 41 (or your 2007 Form 1040NR, line 38, if applicable), is less than zero. Otherwise, you do not have any carryovers.
1.1(h)-1. (e) from line 26g of your 2008 Form 4797 (or follow the applicable instructions below.)

You sold or otherwise disposed of section 1250 property (generally, real property that you depreciated) held more than 1 year.

You received installment payments for section 1250 property held more than 1 year for which you are reporting gain on the installment method.

You received a Schedule K-1 from an estate or trust, partnership, or S corporation that shows “unrecaptured section 1250 gain.”

You received a Form 1099-DIV or Form 2439 from a real estate investment trust or regulated investment company (including a mutual fund) that reports “unrecaptured section 1250 gain.”

You reported a long-term capital gain from the sale or exchange of an interest in a partnership that owned section 1250 property.

**Instructions for the Unrecaptured Section 1250 Gain Worksheet**

**Lines 1 through 3.** If you had more than one property described on line 1, complete lines 1 through 3 for each property on a separate worksheet. Enter the total of the line 3 amounts for all properties on line 3 and go to line 4.

**Line 4.** To figure the amount to enter on line 4, follow the steps below for each installment sale of trade or business property held more than 1 year.

**Step 1.** Figure the smaller of (a) the depreciation allowed or allowable, or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of your 2008 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

**Step 2.** Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2008 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

**Step 3.** Generally, the amount of section 1251 gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2008 as the smaller of (a) the amount from line 26 or line 37 of your 2008 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat some of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

**Line 10.** Include on line 10 your share of the partnership’s unrecaptured section 1250 gain that would result if the partnership had transferred all of its section 1250 property in a fully taxable transaction immediately before you sold or exchanged your interest in that partnership. If you recognized less than all of the realized gain, the partnership will be treated as having transferred only a proportionate amount of each section 1250 property. For details, see Regulations section 1.1(h)-1(e). Also attach the statement required under Regulations section 1.1(h)-1(e).

**Line 12.** An example of an amount to include on line 12 is unrecaptured section 1250 gain from the sale of a vacation home you previously used as a rental property but converted to personal use prior to the sale. To figure the amount to enter on line 12, follow the applicable instructions below.

**Installment sales.** To figure the amount to include on line 12, follow the steps below for each installment sale of property held more than 1 year for which you did not make an entry in Part I of your Form 4797 for the year of sale.

1. Figure the smaller of (a) the depreciation allowed or allowable, or (b) the total gain for the sale. The result is the smaller of line 22 or line 24 of your 2008 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property.

2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2008 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property.

3. Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2008 as the smaller of (a) the amount from line 26 or line 37 of your 2008 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 12.

**28% Rate Gain Worksheet—Line 18**

1. Enter the total of all collectibles gain or (loss) from items you reported on line 8, column (f), of Schedules D and D-1

2. Enter as a positive number the amount of any section 1202 exclusion you reported on line 8, column (f), of Schedules D and D-1, for which you excluded 60% of the gain.

3. Enter the total of all collectibles gain or (loss) from Form 4684, line 4 (but only if Form 4684, line 15, is more than zero); Form 6252; Form 6781, Part II; and Form 8824 .

4. Enter the total of any collectibles gain reported to you on:
   - Form 1099-DIV, box 2d.
   - Form 2439, box 1d; and
   - Schedule K-1 from a partnership, S corporation, estate, or trust.

5. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), box 11, code C.

6. If Schedule D, line 7, is a (loss), enter that (loss) here. Otherwise, enter 0.

7. Combine lines 1 through 6. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 18.
### Other sales or dispositions of section 1250 property

For each sale of property held more than 1 year (for which you did not make an entry in Part I of Form 4797), figure the smaller of (a) the depreciation allowed or allowable, or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of Form 4797 for the property. If you want to figure your capital loss carryover for Schedule D, skip Part I of Form 4797. For more information, see instructions for Part II of Form 4797. If you had more than one such property, see instructions for Part II of Form 4797 (but not on Form 6252). Enter the smaller of line 22 or line 24 of Form 4797 for that property. If you did not have any such property, go to line 4. If you had more than one such property, see instructions for Part II of Form 4797. If you did not have any such property, go to line 4. If you had more than one such property, see instructions for Part II of Form 4797. The result is the total unrecaptured section 1250 gain for the sale. Include this amount on line 12.

### Line 21

You have a capital loss carryover from 2008 to 2009 if you have a loss on line 16 and either:
- That loss is more than the loss on line 21, or
- The amount on Form 1040, line 41 (or Form 1040NR, line 38, if applicable) is less than zero.

To figure any capital loss carryover to 2009, you will use the Capital Loss Carryover Worksheet in the 2009 Instructions for Schedule D. If you want to figure your capital loss carryover to 2009, you will need a copy of your 2008 Form 1040 and Schedule D to figure your capital loss carryover to 2009.

### Unrecaptured Section 1250 Gain Worksheet—Line 19

Keep for Your Records

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>If you are not reporting a gain on Form 4797, line 7, skip lines 1 through 9 and go to line 10.</td>
</tr>
<tr>
<td>2.</td>
<td>If you have a section 1250 property in Part III of Form 4797 for which you made an entry in Part I of Form 4797 (but not on Form 6252), enter the smaller of line 22 or line 24 of Form 4797 for that property. If you did not have any such property, go to line 4. If you had more than one such property, see instructions.</td>
</tr>
<tr>
<td>3.</td>
<td>Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1.</td>
</tr>
<tr>
<td>4.</td>
<td>Enter the total unrecaptured section 1250 gain included on line 26 or line 37 of Form(s) 6252 from installment sales of trade or business property held more than 1 year (see instructions).</td>
</tr>
<tr>
<td>5.</td>
<td>Enter the total of any amounts reported to you on a Schedule K-1 from a partnership or an S corporation as “unrecaptured section 1250 gain.”</td>
</tr>
<tr>
<td>6.</td>
<td>Add lines 3 through 5.</td>
</tr>
<tr>
<td>7.</td>
<td>Enter the smaller of line 6 or the gain from Form 4797, line 7.</td>
</tr>
<tr>
<td>8.</td>
<td>Enter the amount, if any, from Form 4797, line 8.</td>
</tr>
<tr>
<td>9.</td>
<td>Subtract line 8 from line 7. If zero or less, enter -0-.</td>
</tr>
<tr>
<td>10.</td>
<td>Enter the amount of any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain (see instructions).</td>
</tr>
<tr>
<td>11.</td>
<td>Enter the total of any amounts reported to you on a Schedule K-1, Form 1099-DIV, or Form 2439 as “unrecaptured section 1250 gain” from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company).</td>
</tr>
<tr>
<td>12.</td>
<td>Enter the total of any unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year for which you did not make an entry in Part I of Form 4797 for the year of sale (see instructions).</td>
</tr>
<tr>
<td>13.</td>
<td>Add lines 9 through 12.</td>
</tr>
<tr>
<td>14.</td>
<td>If you had any section 1202 gain or collectibles gain or (loss), enter the total of lines 1 through 4 of the 28% Rate Gain Worksheet on page D-8. Otherwise, enter -0-.</td>
</tr>
<tr>
<td>15.</td>
<td>Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0-.</td>
</tr>
<tr>
<td>16.</td>
<td>Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), box 11, code C.</td>
</tr>
<tr>
<td>17.</td>
<td>Combine lines 14 through 16. If the result is a (loss), enter it as a positive amount. If the result is zero or a gain, enter -0-.</td>
</tr>
<tr>
<td>18.</td>
<td>Unrecaptured section 1250 gain. Subtract line 17 from line 13. If zero or less, enter -0-. If more than zero, enter the result here and on Schedule D, line 19.</td>
</tr>
</tbody>
</table>

*If you are filing Form 2555 or 2555-EZ (relating to foreign earned income), see the footnote in the Foreign Earned Income Tax Worksheet on page 37 of the Form 1040 instructions before completing this line.
Schedule D Tax Worksheet

Complete this worksheet only if line 18 or line 19 of Schedule D is more than zero. Otherwise, complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR) to figure your tax.

**Exception: Do not use the Qualified Dividends and Capital Gain Tax Worksheet or this worksheet to figure your tax if:**
- Line 15 or line 16 of Schedule D is zero or less and you have no qualified dividends on Form 1040, line 9b (or Form 1040NR, line 10b); or
- Form 1040, line 43 (or Form 1040NR, line 40) is zero or less.

Instead, see the instructions for Form 1040, line 44 (or Form 1040NR, line 41).

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Enter your taxable income from Form 1040, line 43 (or Form 1040NR, line 40). (However, if you are filing Form 2555 or 2555-EZ (relating to foreign earned income), enter instead the amount from line 3 of the Foreign Earned Income Tax Worksheet on page 37 of the Form 1040 instructions).</td>
</tr>
<tr>
<td>2.</td>
<td>Enter your qualified dividends from Form 1040, line 9b (or Form 1040NR, line 10b)*.</td>
</tr>
<tr>
<td>3.</td>
<td>Enter the amount from Form 4952 used to figure investment interest expense deduction, line 4.</td>
</tr>
<tr>
<td>4.</td>
<td>Subtract line 4 from line 3. If zero or less, enter -0-.</td>
</tr>
<tr>
<td>5.</td>
<td>Enter the smaller of line 15 or line 16 of Schedule D.</td>
</tr>
<tr>
<td>6.</td>
<td>Subtract line 5 from line 2. If zero or less, enter -0-.</td>
</tr>
<tr>
<td>7.</td>
<td>Enter the smaller of line 15 or line 16 of Schedule D.</td>
</tr>
<tr>
<td>8.</td>
<td>Subtract line 8 from line 7. If zero or less, enter -0-.</td>
</tr>
<tr>
<td>9.</td>
<td>Add lines 6 and 9.</td>
</tr>
<tr>
<td>10.</td>
<td>Enter the amount from line 1 above.</td>
</tr>
<tr>
<td>11.</td>
<td>Add lines 18 and 19 of Schedule D*.</td>
</tr>
<tr>
<td>12.</td>
<td>Enter the smaller of line 9 or line 11.</td>
</tr>
<tr>
<td>14.</td>
<td>Subtract line 13 from line 1. If zero or less, enter -0-.</td>
</tr>
</tbody>
</table>
| 15.  | Enter the smaller of:
- The amount on line 1 or
- $32,550 if single or married filing separately; $65,100 if married filing jointly or qualifying widow(er); or $43,650 if head of household. |
| 16.  | Enter the smaller of line 14 or line 15. |
| 17.  | Subtract line 10 from line 1. If zero or less, enter -0-. |
| 18.  | Enter the larger of line 16 or line 17. |
| 19.  | Subtract line 16 from line 15. |
| 20.  | Enter the smaller of line 1 or line 13. |
| 21.  | Enter the amount from line 19 (if line 19 is blank, enter -0-). |
| 22.  | Subtract line 21 from line 20. If zero or less, enter -0-. |
| 23.  | Multiply line 22 by 15% (0.15). |
| 24.  | Enter the smaller of line 9 or Schedule D, line 19. |
| 25.  | Add lines 10 and 18. |
| 26.  | Enter the amount from line 1 above. |
| 27.  | Subtract line 26 from line 25. If zero or less, enter -0-. |
| 28.  | Multiply line 27 by 15% (0.15). |
| 29.  | Subtract line 28 from line 27. If zero or less, enter -0-. |
| 30.  | Multiply line 28 by 25% (0.25). |
| 31.  | Subtract line 30 from line 1. |
| 32.  | Multiply line 31 by 28% (0.28). |
| 33.  | Enter the tax on the amount on line 18. Use the Tax Table or Tax Computation Worksheet, whichever applies. |
| 34.  | Add lines 23, 29, 32, and 33. |
| 35.  | Figure the tax on the amount on line 1. Use the Tax Table or Tax Computation Worksheet, whichever applies. |
| 36.  | Tax on all taxable income (including capital gains and qualified dividends), Enter the smaller of line 34 or line 35. Also include this amount on Form 1040, line 44 (or Form 1040NR, line 41). (If you are filing Form 2555 or 2555-EZ, do not enter this amount on Form 1040, line 44. Instead, enter it on line 4 of the Foreign Earned Income Tax Worksheet in the Form 1040 instructions). |

*If you are filing Form 2555 or 2555-EZ, see the footnote in the Foreign Earned Income Tax Worksheet on page 37 of the Form 1040 instructions before completing this line.

**If applicable, enter instead the smaller amount you entered on the dotted line next to line 4e of Form 4952.