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The *New* Schedule D in the Real World

Presented by:

National Society of Accountants

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7/12/2012



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Schedule D

Hot Issues!

Form 8949

Covered vs. Non Covered

Basis, Basis & more Basis

Adjustment Codes





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New Schedule D

Just a summary form now

– Other forms flow to Schedule D

Unlike the New Schedule E

– The devil is in the details!

More on that in our Schedule E seminar



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Why do we have a Schedule D

Tax Code Complexities

Capital Gains Tax Rates

Netting Rules

Tax Computation Worksheet





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What is a Capital Asset?

IRC§1221

- List of assets that will never be capital assets
 - Congress never defined the term
- U.S. Supreme Court Workable Distinction
- Malat v. Riddell, 383 U.S. 569 (1966)



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Practice Management Tip

- Have a Process
- Have Procedures
- Do your Due Diligence
- Ask the Right Questions





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New Form 8949

Why do we need it?

New Law Requiring Basis Reporting

Separate Short Term & Long Term

IRS Matching Program

Covered vs. Non Covered



Form **8949**

Sales and Other Dispositions of Capital Assets

OMB No. 1545-0074

2011

Attachment
Sequence No. **12A**

Department of the Treasury
Internal Revenue Service (99)

- ▶ See Instructions for Schedule D (Form 1040).
- ▶ For more information about Form 8949, see www.irs.gov/form8949
- ▶ Attach to Schedule D to list your transactions for lines 1, 2, 3, 8, 9, and 10.

Name(s) shown on return

Your social security number

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

Note: You **must** check **one** of the boxes below. Complete a separate Form 8949, page 1, for **each** box that is checked.

***Caution.** Do not complete column (b) or (g) until you have read the instructions for those columns (see the Instructions for Schedule D (Form 1040)). Columns (b) and (g) do not apply for most transactions and should generally be left blank.

- (A)** Short-term transactions reported on Form 1099-B with basis reported to the IRS
- (B)** Short-term transactions reported on Form 1099-B but basis not reported to the IRS
- (C)** Short-term transactions for which you cannot check box A or B

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Description of property (Example: 100 sh. XYZ Co.)	Code, if any, for column (g)*	Date acquired (Mo., day, yr.)	Date sold (Mo., day, yr.)	Sales price (see instructions)	Cost or other basis (see instructions)	Adjustments to gain or loss, if any*
1							



Basis Issues *Form 1099 B*

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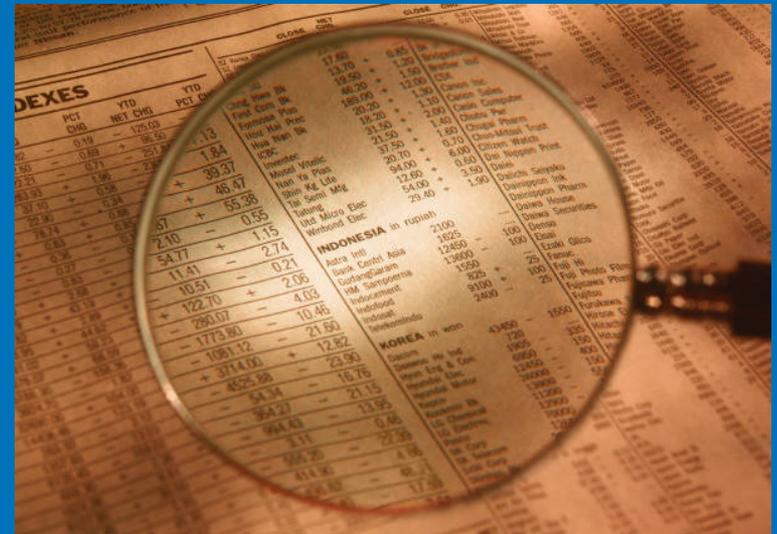
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How Do I Read It

Got It

Didn't Get It

Correcting It



CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1a Date of sale or exchange	OMB No. 1545-0715 2011 Form 1099-B	Proceeds From Broker and Barter Exchange Transactions
		1b Date of acquisition		
		2 Sales price of stocks, bonds, etc. \$	Reported to IRS } <input type="checkbox"/> Sales price <input type="checkbox"/> Sales price less commissions and option premiums	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Cost or other basis \$	4 Federal income tax withheld \$	Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name Street address (including apt. no.) City, state, and ZIP code		5 Wash sale loss disallowed \$	6 If this box is checked, boxes 1b, 3, 5, and 8 may be blank <input type="checkbox"/>	
		7	8 Type of gain or loss Short-term <input type="checkbox"/> Long-term <input type="checkbox"/>	
		9 Description		
Account number (see instructions)		10 Profit or (loss) realized in 2011 on closed contracts \$	11 Unrealized profit or (loss) on open contracts—12/31/2010 \$	14 Bartering \$
CUSIP number		12 Unrealized profit or (loss) on open contracts—12/31/2011 \$	13 Aggregate profit or (loss) on contracts \$	15 If box checked, loss based on amount in box 2 is not allowed <input type="checkbox"/>

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1a Date of sale or exchange		OMB No. 1545-0715		Proceeds From Broker and Barter Exchange Transactions
		1b Date of acquisition		2012		
		1c Type of gain or loss Short-term <input type="checkbox"/> Long-term <input type="checkbox"/>		Form 1099-B		
PAYER'S federal identification number	RECIPIENT'S identification number	2a Stocks, bonds, etc.		Reported to IRS <input type="checkbox"/>	<input type="checkbox"/> Sales price <input type="checkbox"/> Sales price less commissions and option premiums	2b If box checked, loss based on amount in 2a is not allowed <input type="checkbox"/>
		\$				
RECIPIENT'S name		3 Cost or other basis		4 Federal income tax withheld		Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
		\$		\$		
Street address (including apt. no.)		5 Wash sale loss disallowed		6 Checked if:		
		\$		a <input type="checkbox"/> Noncovered security b <input type="checkbox"/> Basis reported to IRS		
City, state, and ZIP code		7 Bartering				
		\$				
8 Description						
Account number (see instructions)	2nd TIN not.	9 Profit or (loss) realized in 2012 on closed contracts		10 Unrealized profit or (loss) on open contracts—12/31/2011		13 State
	<input type="checkbox"/>	\$		\$		14 State identification no.
CUSIP number		11 Unrealized profit or (loss) on open contracts—12/31/2012		12 Aggregate profit or (loss) on contracts		15 State tax withheld
		\$		\$		\$



Basis Issues

*Getting it Right when the form is
WRONG!*

Adjustment Codes

- How do I use them
- When do I use them
- Where do I put them
- Will they cause IRS correspondence

Asking the right questions to get the right answers



Form **8949**

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OMB No. 1545-0074

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	Description of property (Example: 100 sh. XYZ Co.)		Date acquired (Mo., day, yr.)	Date sold (Mo., day, yr.)	Sales price (see instructions)	Cost or other basis (see instructions)	Gain or loss
1							



Basis Issues

Burden of Proof!

WHO??

– Preparers

Asking the right questions

– Clients

Documents for supporting basis

– Brokers

Communicating changes





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Carry What? Where?

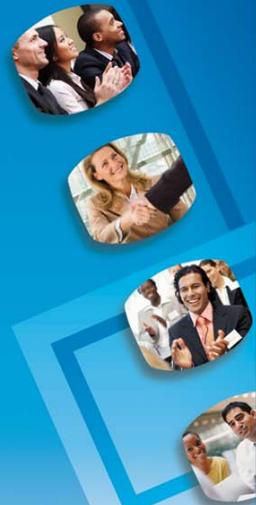
Reportable or Non Reportable
Losses

Carryover of Losses

Carryback of Losses

Prior Year Due Diligence

Corporation vs. 1040 vs. 1041





Forms Summarized on Schedule D

Form 4797 (Business Assets)

Form 6252 (Installment Sales)

Form 8824 (Like-Kind Exchanges)

Form K -1 (Partnerships, S Corps, Estates,
Trusts)

Form 1099-DIV (Capital Gain Distributions)





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Who's Doing the Return?

Preparers Beware

Software Input \ Tax Return Output

Check the Result of Your Input

Did It Show Up Where Expected

Be Diligent





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Practice Management Tip

Ask yourself, have you;

Been Reasonable

Been Prudent

Been Ethical

Asked the Right Questions

Document!





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For More Information:

National Society of Accountants (NSA)

More information is available including additional materials at:

Booth in Vendor Hall

Or Table in Lobby

800-966-6679

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