



OFFICE OF
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

March 25, 2009

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CONEX-112045-09

UIL: 1211.00-00

The Honorable Richard Shelby
United States Senate
Washington, DC 20510

Dear Senator Shelby:

I am responding to your letter of February 13, 2009, on behalf of your constituent, [redacted] wrote about the \$3,000 limit on capital loss deductions that an individual taxpayer may claim each year.

As you requested, I responded directly to [redacted]. I am enclosing a copy of my response.

I hope this information is helpful. If you need further assistance, please call me at [redacted] or [redacted] at [redacted].

Sincerely,

George J. Blaine
Associate Chief Counsel
(Income Tax and Accounting)

Enclosure



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Dear _____ :

I am responding to your inquiry to Senator Richard Shelby. Senator Shelby wrote to us on your behalf and asked us to respond directly to you about the \$3,000 limit on capital loss deductions that an individual taxpayer may claim each year.

The \$3,000 limitation on capital losses (greater than capital gain) on Form 1040, Schedule D reflects a statutory limitation that Congress set in 1978 in section 1211(b) of the Internal Revenue Code.

Please note that section 1211(b) limits only the amount deductible per year. It does not deny a deduction for capital losses in excess of \$3,000. If you have a capital loss that is greater than \$3,000, you may deduct \$3,000 in the year of the loss then deduct the excess (up to the \$3,000 yearly limit) in later years until you have fully deducted the entire capital loss.

I hope this information is helpful. If you have additional questions, please contact _____, Identification Number _____, or
Identification Number _____, at _____.

Sincerely,

George J. Blaine
Associate Chief Counsel
(Income Tax & Accounting)

cc: The Honorable Richard Shelby