



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

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The Honorable John T. Salazar
Member, U.S. House of Representatives
609 Main Street, Suite 6
Alamosa, CO 81101

Dear Congressman Salazar:

This letter responds to your inquiry dated March 3, 2009, on behalf of your constituent, . . . asked about increasing the \$3,000 limit on capital loss deductions that an individual taxpayer may claim each year.

The \$3,000 limitation on capital losses on Form 1040, Schedule D, is a statutory limitation (section 1211(b) of the Internal Revenue Code (the Code)). The IRS does not have the authority to change this statutory requirement. To make the change recommends would require an act of Congress.

Although the law limits the amount deductible per year, it does not completely deny a deduction for a net capital loss greater than the deductible amount. If an individual has a net capital loss that is greater than \$3,000 for the tax year, he or she may deduct \$3,000 in the year of the loss, then use the excess loss against capital gains in later years (up to the deductible amount) until the entire net capital loss is fully deducted (section 1212(b) of the Code).

For your convenience, I am enclosing a copy of *Publication 550, Investment Income and Expenses*. I hope this information is helpful. Please call me at . . . if I can further assist you.

Sincerely,

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

Enclosure