



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

OFFICE OF  
CHIEF COUNSEL

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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 amount is a statutory limitation that Congress set in 1978. Section 1211(b) of the Internal Revenue Code.

Please note that despite the section 1211(b) limitation, you may offset any capital loss in excess of the \$3000 against capital gains in subsequent years. For example, if a taxpayer had a capital loss of \$30,000 in 2008 and a \$35,000 capital gain (with no other offsetting capital losses) in 2009, the taxpayer may take a \$3000 deduction in 2008 and offset the remaining \$27,000 of excess capital loss from 2008 against the \$35,000 capital gain in 2009. The enclosed instructions to Form 1040 Schedule D describe these rules.

I hope this information is helpful. If you have additional questions, please contact \_\_\_\_\_, or

Sincerely,

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

Enclosure

cc: The Honorable Richard Shelby