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10 BASICS ON CAPITAL GAINS

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1. Capital Assets are things that you own and use for personal purpose, pleasure, or investment.
2. Sale of a capital asset results in a capital gain or a capital loss.
3. You must report all capital gains on your income tax returns.
4. Use Schedule D to report capital gains and losses.
5. You may deduct capital losses only on investment property, not on property held for personal use.
6. Capital gains and losses are classified as short-term or long-term: short-term if you hold the asset for one year or less, long-term if more than one year.
7. Net capital gain is the amount by which your net long-term capital gain is more than your net short-term capital loss.
8. The tax rates that apply to net capital gain are generally lower than the tax rates that apply to other income.
9. If your capital losses exceed your capital gains, the excess can be deducted on your tax return, up to an annual limit of \$3,000 (\$1,500 if you are married filing separately).
10. If your total net capital loss is more than the yearly limit on capital loss deductions, you can carry over the unused part to the next year and treat it as if you incurred it in that next year.