

# ST14-12 Consolidating Capital Gains

**If using 1040 Sch D Line 1a or 8a to report aggregate totals, do not use this process.**

If there are a large number of capital gain/loss transactions on a brokerage statement, it may be more efficient to consolidate multiple transactions on the statement into a single line on the TaxWise Capital Gain or Loss Transactions Worksheet (Cap Gn Wkt). Although time may be saved by entering fewer lines, there will be more time required for Quality Review plus preparing and sending the necessary paperwork to the IRS – **always consult with your Site Coordinator / ERO before using this approach.**

1. Divide the transactions on each brokerage statement into four categories:
  - Short term transactions with basis reported to the IRS - categorized as “Box A.”
  - Short term transactions with basis not reported to the IRS - categorized as “Box B.”
  - Long term transactions with basis reported to the IRS - categorized as “Box D.”
  - Long term transactions with basis not reported to the IRS - categorized as “Box E.”
2. Enter the total of each category on one line on the capital gain worksheet with Code M in column (f). Make sure that TaxWise® correctly reflects short term or long term for each line.
3. If any of the transactions requires an adjustment to the reported basis, enter the adjustment code and adjustment amount in columns (f) and (g) of the line that includes that transaction. In this case, there will be more than one adjustment code in column (f). Enter the codes in alphabetical order in column (f), with no spaces or commas.
4. If there are transactions with basis not reported to the IRS (Type B or E), the broker’s list of transactions must be submitted as an attachment to the tax return. Check the appropriate box at the top of Schedule D in TaxWise® and
  1. Make three copies of
    - Form 8453 from TaxWise
    - The brokerage statement(s) showing all of the non-reported transactions
    - The 8949s from TaxWise for all of the non-reported transactions (Type B & E)
  2. The above copies are distributed as follows:
    - One copy returned to the taxpayer
    - One copy to your ERO to be sent to IRS in Austin, TX
    - One copy to your ERO to be sent to IRS, Newark (SPEC)

**Capital Gain or Loss Transactions Worksheet (Cap Gn Wkt)**

Use a separate line on the Cap Gn Wkt for each combination of:

- Brokerage
- Short Term or Long Term
- Form 8949 code A,B,D,E (code C & F transactions would not apply)

Column	Heading	Entry
(a)	Description of Property	Enter the name of the broker
	1099	Enter A,B,D,E (A,B,D,E transactions cannot be combined on a single line)
	T / S / J	As usual
	*	Still out-of-scope
(b)	Date acquired	If Long Term, then VA/RI/OUS If Short Term then 01/01/2014 [see Note 1]
(c)	Date sold	12/31/2014 (or date of latest transaction for this line)
(d)	Sales price	Total sales price for all transactions on this line
(e)	Cost or other basis	Total cost or other basis for all transactions on this line
(f)	Code	M (code signifying this line contains consolidated transactions) [See Note 2]

# ST14-12 Consolidating Capital Gains

(g)	Adjustments to gain or loss	Leave zero and make un-red (F3 or Ctrl-Space) unless there are other adjustments on this line [See Note 2]
(h)	Gain or loss	Calculated by TW
	S / L	Calculated by TW

Note 1: Although not strictly following Form 8949 Instructions, this approach avoids having to override the S/L column

Note 2: If there are other code(s) required for the transactions included in this line, then add the appropriate code(s) in column (f) and the total of related amounts in column (g). (Note: codes in column (f) should be in alphabetical order with no spaces or commas to avoid IRS rejects.)

## **Form 8949 (8949 Pg xx)**

If there are no other code(s) required for the transactions, you will also need to make column (g) un-red (F3 or Ctrl-Space) on the appropriate Form 8949 page.

## **Schedule D – Capital Gains and Losses (Sch D Pg 1)**

Check the box at the top “Check here if you want to attach a substitute list to Form 8453”. This will automatically include form 8453 in the tree with the appropriate box checked.

## **Paperwork**

- Form 8453
  - Attach copy of each applicable form 8949 page
  - Attach copy of applicable brokerage statement pages
- See: Special Topic document “Form 8453 Instructions” for more detail