



# Capital Gains and Losses

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### Capital Gains and Losses

#### Capital Assets

Most property you own and use for personal or investment purposes is a capital asset. For example, a house, furniture, car, stocks, and bonds are capital assets.

#### Noncapital Assets

A capital asset is any property held by you except the following.

- Stock in trade or other property included in inventory or held mainly for sale to customers.
- Accounts or notes receivable acquired in the ordinary course of a trade or business for services rendered or from the sale of stock in trade or other property held mainly for sale to customers.
- Depreciable property used in a trade or business, even if it is fully depreciated.
- Real estate used in a trade or business.
- Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property created by the individual's personal efforts, prepared or produced for the individual, or received from a person who created the property.
- Supplies regularly used in a trade or business.

#### Investment Property

Investment property is property held for the production of income or anticipated appreciation in value. A gain or loss from the sale or exchange of investment property, such as stocks and bonds, is a capital gain or loss.

### Holding Periods

Capital gains and losses must be separated according to how long you held or owned the property.

#### Short-Term

The holding period for short-term capital gains and losses is one year or less.

#### Long-Term

The holding period for long-term capital gains and losses is more than one year.

#### Inherited Property

Inherited property is considered held long term regardless of actual time held by you, the beneficiary.

#### Securities Traded on an Established Market

For securities traded on an established securities market, the holding period begins the day after the trade date the securities are purchased and ends on the trade date the securities are sold.

### Mutual Funds

A mutual fund is a regulated investment company generally created by "pooling" funds of investors to allow them to take advantage of a diversity of investments and professional management.

#### Mutual Fund Basis

Shares in a mutual fund may be acquired at various times, in various quantities, and at various prices. When shares of a mutual fund are sold, it is necessary to determine which shares were sold and the basis of those shares. You can use either a cost basis or an average basis to calculate gain or loss.

#### Cost Basis

Cost basis can be used only if you did not previously use an average basis for a sale of other shares in the same