

A step by step guide to file [Schedule D](#), the form that reports your capital gain or loss to the IRS.

So you like to trade. You had your share of fun and sorrow last year, but now you have to draw the line and see how it all went. Of course, the next thing to do is report it to the IRS. Schedule D is the place where you detail the results of all the trades or sales you made during the last tax year.

In other words, you enter your capital gains and capital losses on your investments (both short and long term) on Schedule D. It can be stock, options, collectibles, property or business capital assets. The final result (total gain or loss) is then transferred to its designated line on Form 1040.

This form is divided in three parts that have to be filled in if you sold investments or made capital gains during the previous tax year.

SCHEDULE D (Form 1040) <small>Department of the Treasury Internal Revenue Service (99)</small>	Capital Gains and Losses ▶ Attach to Form 1040 or Form 1040NR. ▶ Information about Schedule D and its separate instructions is at www.irs.gov/scheduled . ▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.	OMB No. 1545-0074 <div style="text-align: center; font-size: 2em; font-weight: bold;">2016</div> Attachment Sequence No. 12
Name(s) shown on return		Your social security number

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.				
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b .				
1b Totals for all transactions reported on Form(s) 8949 with Box A checked				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked				

Part 1 – Short Term Investments

The first part lists five short-term transactions on Line 1. You have to describe the property that has been bought and sold (including dates of the transactions and prices) and calculate the gain or loss for each. If you made more than five transactions, you can use Schedule D-1 to complete the list.

On Line 2, you add up the totals from Schedule D-1 and on Line 3, you calculate the final short-term sales price amounts by adding up the amounts on Line 1 and Line 2.

4	Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824	4	
5	Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	5	
6	Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions	6	()
7	Net short-term capital gain or (loss). Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back	7	

On Line 4 you enter zero unless you had capital gain(s) or loss(es) from activities like installment income from sales (as stated by Form 6252), casualty or theft (Form 4684), transactions with stock options (Form 6781), exchange of business or investment property (Form 8824).

On Line 5, you enter any net short-term gain or loss from business(es) that you own, for example estates, trusts, S corporations. On Line 6, you enter any short-term capital loss carryover (that was not reported on the previous year’s tax return). On Line 7, you add up the amounts on Lines 1 through 6. That’s your net short-term capital gain (or loss).

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b				
8b Totals for all transactions reported on Form(s) 8949 with Box D checked				
9 Totals for all transactions reported on Form(s) 8949 with Box E checked				
10 Totals for all transactions reported on Form(s) 8949 with Box F checked				
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824				11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13 Capital gain distributions. See the instructions				13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				14 ()
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (h). Then go to Part III on the back				15

Part 2 – Long-Term Investments

In part 2, you record the sale of investments that you held for at least one year (long-term investments). Filing in this part is rather similar to the first part, except for the long-term nature of the investments and the references to Form 4797 and Form 2439 on Line 11 (these forms refer to gains or losses from the sale of business property and undistributed long-term capital gains).

On Line 12, you enter the same type of data as on Line 5 of Part 1. The only difference is the long-term nature of the investments.

On Line 13, you have to enter any capital gain distributions (see page D-7 of 2016 Instructions for Schedule D). Go to Line 14 and write the long-term capital loss carryover (that was not included on the previous year's tax return). On Line 15, you add up the amounts on Lines 8 through 14. This is the net long-term capital gain (or loss).

Part 3 – Summary

First, you add up the amounts on Lines 7 and 15 – your short-term and long-term gains and losses. Write the result on Line 16. If the result is below zero, we're talking about a capital loss. Jump to Line 21 and enter the lower amount between that loss and \$1,500 (or \$3,000 if married, filing jointly). Add qualified dividends on Line 22 and transfer the amounts to your Form 1040 or 1040NR.

If the result on Line 16 is zero, you just have to enter zero on your Form 1040, Line 13, or [Form 1040NR](#), Line 14, and jump to Line 22.

If the amount on Line 16 is above zero, you have earned a capital gain. Write this amount on Line 13 of [Form 1040](#) or Line 14 of Form 1040NR and proceed to Line 17.

You go to Line 18 only if you checked "yes" on Line 17 and either a gain or a loss resulted from the sale of a collectible item and/or you claim up to 50-60% exemption from gains on the sale of qualified C corporation stock. Line 19 is for any gain from the sale of depreciated property (see the unrecaptured section 1250 gain worksheet on page D-9 of the 2016 Instructions for Schedule D.)

If you report no gain and no loss on investment sales, you only need to write zero on Lines 16 and 21.

If you only obtained gains from short-term investments, you do not have to fill in Lines 18-21 of Schedule D. In the case of long-term gains you need to file another worksheet, the rate gain worksheet, and transfer that information to Schedule D. You can find this worksheet in the 2016 Instructions for Schedule D.

Other Useful Information

You should keep a few important notes for filing Schedule D in mind.

First, the deadline; submit Schedule D before April 18. Keep in mind that wash sale rules cover the sale of stock that replaces previously bought stock. An important note is that if you got your capital gains through a tax-protected account you may not have to file Schedule D. Also, make sure to check if you need to file capital loss carryover, rate gain and/or unrecaptured gain worksheets.