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Ten Facts About Capital Gains and Losses

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Do you have questions about reporting gains and losses on your tax return? Here are ten facts about Capital Gains and Losses:

1. Almost everything you own and use for personal purposes, pleasure or investment is a capital asset.
2. When you sell a capital asset, the difference between the amount you sell it for and your basis, which is usually what you paid for it, is a capital gain or a capital loss.
3. You must report all capital gains.
4. You may deduct capital losses only on investment property, not on property held for personal use.
5. Capital gains and losses are classified as long-term or short-term, depending on how long you hold the property before you sell it. If you hold it more than one year, your capital gain or loss is long-term. If you hold it one year or less, your capital gain or loss is short-term.
6. Net capital gain is the amount by which your net long-term capital gain is more than your net short-term capital loss.
7. The tax rates that apply to net capital gain are generally lower than the tax rates that apply to other income and are called the maximum capital gains rates. For 2008, the maximum capital gains rates are 0%, 15%, 25% or 28%.
8. 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).

9. 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.

10. Capital gains and losses are reported on Schedule D, Capital Gains and Losses, and then transferred to line 13 of Form 1040.

Earle Law Offices provides trial and appellate litigation, as well as non-litigation, legal services in the areas of business law, family law, real estate law, tax law, and trusts and estates.

* Mr. Earle is licensed to practice law in all California state trial and appellate courts, the United States Supreme Court, the United States Court of Appeals for the Fourth and Ninth Circuits, federal trial courts in the Northern District of California, and the United States Tax Court. He has also served as a Judge Pro Tempore for the Santa Clara Superior Court. In addition to practicing law, Mr. Earle is also a licensed Real Estate Broker.

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