

Stock Sales

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Stock sales can be quite confusing, as evidenced by a recent report from the [General Accounting Office](#) (GAO). The GAO estimated that 8.4 million individual taxpayers with securities transactions incorrectly reported their capital gains or losses on their tax returns for the 2001 tax year.

I strongly recommend that anyone who has any stock transactions hire a qualified tax professional to help them determine their correct basis and reporting requirements.

Once the appropriate basis and gain or loss has been determined then they are usually netted in the following order:

1. Short-term capital losses are applied against short-term capital gains while Long-term capital losses are applied against long-term capital gains.
2. Any remaining short-term capital loss (from number 1) is applied against any remaining long-term capital gains (from number 1) while any remaining long-term capital loss (from number 1) is applied against any remaining short-term capital gains (from number 1).
3. You can apply up to \$3,000 of any remaining capital losses (from number 2) against regular income and carryforward any remaining loss (from number 2).

In addition to finding a qualified tax professional to help you, you may be interested in reading [IRS Publication 550](#).

Gina L. Gwozdz is a CPA who has chosen to specialize in taxes. Visit her website at <http://GLGcpa.com> to view more Tax Tip Articles.