

ST15-12 Consolidating Capital Gains

This is the recommended process for consolidating reported and non-reported capital gains as shown in Pub. 4012 page D-18. Do not enter them on Sch D lines 1a and 8a.

Capital Gains that are reported to the IRS (Code A or D transactions) can be consolidated on the Capital Gains Worksheet at the discretion of the preparer. If there are a large number of capital gain/loss transactions on a brokerage statement that are not reported (Code B or E transactions), it may be more efficient to consolidate these transactions. However, 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 consolidating non-reported (Code B or E) transactions.**

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 the case where 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
	*	Out of Scope
(b)	Date acquired	VA/RI/OUS If preparing a return for any year prior to TY 2015 and transaction is Short Term, enter 01/01/20xx. The xx will be the current tax year for the return you are preparing. [See Note 1].

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(c)	Date sold	12/31/2015 (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]
(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 (for years prior to TY 2015). Starting in TY 2015 the VA/RI/OUS selections works properly for both long term and short term based on the code entered in the "1099" 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.

If all of the transactions you consolidated are reported to the IRS (Codes A or D), you are DONE.

Additional Steps for non-reported consolidated transactions

For any transactions that are not reported (Codes B or E) you must do the following:

- Go to Schedule D – Capital Gains and Losses - Sch D Pg1
 - Check the box at the top of Sch D Pg 1 "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.
- Print 3 copies of the Form 8453
- Print 3 copies of the 8949 pages showing the consolidated transactions
- Attach to each copy of the Form 8453 the appropriate 8949 pages showing the consolidated transactions and the brokerage statement pages for the consolidated transactions.

Paperwork

- One copy of the 8453 and the attached pages are to be given back to the taxpayer.
- Two copies of the 8453 and the attached pages are to be given to your ERO.
- EROs see: Special Topic document "Form 8453 Instructions" for more details on the disposition of these documents.