

# Table of Contents

<b>Basis</b> .....	<b>1</b>
Overview .....	1
Stocks .....	2
Brokerage House Holds the Stock Certificates .....	3
Taxpayer Holds the Stock Certificates .....	4
Dividend Reinvestment Plans .....	4
Stock Dividends .....	5
Bonds .....	7
Bond Premium .....	8
Market Discount Bonds .....	9
OID Bonds .....	10
Mutual Funds .....	11
Average Basis .....	13
Specific Share Identification .....	15
First-in, First-out .....	16
Distributions .....	17
Inherited Property .....	18
Special Rules for Assets Inherited in 2010 .....	20
Inherited Community Property .....	21
Gift .....	22
FMV Exceeds Basis .....	23
FMV is Less Than Adjusted Basis .....	23
Part Sale and Part Gift .....	25
Remainder Interest .....	26
Section 7520 rates .....	27
Easement .....	28
Transfer Between Spouses .....	29
Property Received for Services .....	29
Restricted Property .....	29
Basis Review Questions .....	31
Basis Review Answers .....	35
<b>Capital Gains and Losses</b> .....	<b>39</b>
Schedule D .....	39
Form 8949 .....	43

Completing Form 8949 . . . . .	46
Completing Schedule D . . . . .	56
Parts I and II . . . . .	56
Part III . . . . .	60
Capital Gains . . . . .	68
Capital Asset Defined . . . . .	68
Holding Period . . . . .	69
Netting Capital Gains and Losses . . . . .	71
Capital Gains Rates . . . . .	74
0% Rate . . . . .	75
15% Rate . . . . .	78
20% Rate . . . . .	80
25% Rate . . . . .	82
28% Rate . . . . .	82
Capital Losses . . . . .	85
Related Party . . . . .	85
Personal Use Loss . . . . .	86
Nonbusiness Bad Debt . . . . .	86
Worthless Stock . . . . .	87
Wash Sales . . . . .	88
Capital Loss Limitation . . . . .	93
Capital Loss Carryover . . . . .	94
Pass-through Capital Gains and Losses . . . . .	96
Net Investment Income Tax . . . . .	96
Sale of a Principal Residence . . . . .	99
General Rules . . . . .	99
Ownership and Use Tests . . . . .	100
Partial Exclusion . . . . .	101
Business Use or Rental Use . . . . .	103
Nonqualified Use . . . . .	104
Reporting the Sale . . . . .	107
Special Situations . . . . .	108
Capital Gains and Losses Review Questions . . . . .	121
Capital Gains and Losses Review Answers . . . . .	125