2019.20 Training

Subject: Had Stock Transactions | Talking Points

There are different types of stock transactions, all of which have different tax implications. Find out if yours fall into these categories, and what that means for your taxes.

Keep track of what you paid for your stocks and when you bought them. Make sure to track any stock splits and if you have mutual funds track reinvested dividends as well as additional investments into your funds. This information is all used to calculate your basis so you can show the least possible gain, or highest loss, when you sell your stock.

Under tax reform, you can no longer claim your investment expenses, such as the direct cost of your fund manager, IRA manager, stockbroker and other expenses you may have between January 1, 2018 and December 31, 2025.

Afraid you might own worthless stock? First, make sure your stock is worthless, and keep whatever proof you have in your tax records, should the IRS ask for proof. When you have stocks that have become completely worthless, report them on Form 8949, Sales and Other Dispositions of Capital Assets, with your purchase date and December 31 as the date sold. The total transactions from Form 8949 will be carried to Schedule D and Form 1040.

Buying and selling the same stock If you sell a certain type of stock for a loss, then buy the same stock within 30 days, you have what is called a wash sale and are not permitted to claim the loss. You don't lose your loss, though; instead, you add the loss to a later sale of the stock.

Long-term and short-term transactions Long-term capital gains are gains from the sale of stocks, bonds, collectibles, and other assets that you owned for one year and one day or more. It is important to keep track of your ownership period because there are lower tax rates on long-term capital gains. Short-term gains are taxes the same as your other income, long-term gains are taxed at 0%, 15%, or 20%.

The long-term capital gains rate schedule The capital gains tax rates changes under tax reform. Under the old tax laws, the changes in the tax rates was tied to the regular income tax tables. Under tax reform, the change in tax rates is tied to a taxable income amount.