SCHEDULE D (Form 1120)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

To be filed with Forms 1120, 1120-A, 1120-DISC, 1120F, 1120-H, 1120L, 1120M, 1120-POL, 990-C, and certain Forms 990-T

OMB No. 1545-0123

1984

Name | **Employer identification number**

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less (6 months or less if acquired after 6-22-84)

a. Kind of property and description (Example, 100 shares of "Z" Co.)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Cost or other basis, plus expense of sale	f. Gain or (loss) (d less e)
1					

2 Short-term capital gain from installment sales from Form 6252, line 22 or 30	2	
3 Unused capital loss carryover (attach computation)	3	
4 Net short-term capital gain or (loss)	4	

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year (more than 6 months if acquired after 6-22-84)

5 Enter gain from Form 4797, line 6(a)(1)	5	

6					

7 Long-term capital gain from installment sales from Form 6252, line 22 or 30	7	
8 Net long-term capital gain or (loss)	8	

Part III Summary of Schedule D Gains and Losses

9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)	9	
10 Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)	10	
11 Total of lines 9 and 10. Enter here and on Form 1120, line 8, page 1; or the proper line on other returns	11	

Note: *If there is no entry on line 11, see instructions on capital losses for explanation of capital loss carrybacks.*

Part IV Alternative Tax Computation (Forms 1120-H and 1120-DISC filers omit Part IV)

12 Taxable income. Enter the amount from { (a) Form 1120, line 30, page 1. (b) Others—Enter amount from the proper line of other returns }	12	
13 Net capital gain from line 10	13	
14 Subtract line 13 from line 12	14	
15 Partial tax. Compute the tax on line 14 as follows { (a) Form 1120—In accordance with the instructions for Forms 1120 and 1120-A, Tax Computation (b) Others—In accordance with the tax computation instructions for applicable return }	15	
16 28% of line 13	16	
17 Alternative tax—total of lines 15 and 16. If less than amount of tax figured by regular method, enter here and on Form 1120, Schedule J, line 3; or the proper line on other returns. Also check box for Schedule D	17	

For Paperwork Reduction Act Notice, see page 1 of the Instructions for Forms 1120 and 1120–A.

Instructions

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Purpose of Form

Schedule D should be used by a taxpayer who files either Forms 1120, 1120-A, 1120-DISC, 1120F, 1120-H, 1120L, 1120M, 1120-POL, 990-C, or certain Forms 990-T, to report sales or exchanges of capital assets. Sales or exchanges of property other than capital assets, including property used in a trade or business, involuntary conversions (other than casualties or thefts), gain from the disposition of interest in oil, gas, or geothermal property, and the section 291 adjustment to section 1250 gains should be reported on **Form 4797**, Supplemental Schedule of Gains and Losses. See the instructions for Form 4797 for more information.

If property is involuntarily converted because of a casualty or theft, use **Form 4684**, Casualties and Thefts.

Parts I and II

Generally, a corporation should report the sales and exchanges, including "like-kind" exchanges, even though there is no gain or loss. No loss is allowed for a wash sale of stock or securities or from a transaction between related persons. (Sections 1091 and 267.)

In Part I report the sale or exchange of capital assets held one year or less (6 months or less for acquisitions after June 22, 1984). In Part II report the sale or exchange of capital assets held more than one year (more than 6 months for acquisitions after June 22, 1984).

What are Capital Assets.—Each item of property the corporation held (whether or not connected with its trade or business) is a capital asset except:

1. Assets that can be inventoried or property held mainly for sale to customers.
2. Depreciable or real property used in the trade or business.
3. Certain copyrights, literary, musical, or artistic compositions, letters or memorandums, or similar property.
4. Accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in 1. above.
5. A U.S. Government publication (including the Congressional Record), received from the Government or any of its agencies in a manner other than by buying it at the price offered for public sale, which is held by a taxpayer who received the publication or by a second taxpayer in whose hands the basis of the publication is determined, for purposes of determining gain from a sale or exchange, by referring to its basis in the hands of the first taxpayer.

Exchange of "like-kind" property.—Report the exchange of "like-kind" property on Schedule D or on Form 4797, whichever applies. The corporation must report it even though no gain or loss is recognized when business or investment property is exchanged for property of "like-kind." (This does not include stock in trade or other property held primarily for sale. It also does not include stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, other securities or evidences of indebtedness or interest, or transfers made generally after March 31, 1984, for interests in a partnership.)

If Schedule D is used, identify in column a, the property disposed of. Enter the date it was acquired in column b, and the date it was exchanged in column c. Write "like-kind exchange" in column d. Enter the cost or other basis in column e. Enter zero in column f.

Special Rules for the Treatment of Certain Gains and Losses

Note: *For more information, get **Publication 544**, Sales and Other Dispositions of Assets, and **Publication 542**, Tax Information on Corporations.*

- **Gains and losses on section 1256 contracts and straddles.**—Generally, section 1256 contracts open at the end of the year, or terminated during the year, are treated as 60% long-term and 40% short-term regardless of how long the contracts were held. In addition, losses from positions that are part of a straddle are deferred to the extent of any unrealized gains on open offsetting positions. Use **Form 6781**, Gains and Losses From Section 1256 Contracts and Straddles, to report gains and losses from section 1256 contracts and straddles.
- **Gain or loss on certain short-term Federal, State, and municipal obligations.**—Such obligations are treated as capital assets in determining gain or loss. On any gain realized, a portion is treated as ordinary income and the balance is considered as a short-term capital gain. See section 1271.
- **Gain from installment sales.**—If property is sold at a gain this year and the corporation is to receive any payment in a later tax year, it must use the installment method and file **Form 6252,** Computation of Installment Sale Income. Also use Form 6252 if a payment is received in 1984 from a sale made in an earlier year on the installment basis.

However, the corporation may elect out of the installment method by doing the following on a timely filed return (including extensions):

1. Report the full amount of the sale on Schedule D.
2. If the corporation received a note or other obligation and is reporting it at less than face value (including all contingent obligations), state that fact in the margin and give the percentage of valuation.

- **Gain or loss on an option to buy or sell property.**—See sections 1032 and 1234 for the rules that apply to a purchaser or grantor of an option.
- **Gain or loss from a short sale of property.**—Report the gain or loss to the extent that the property used to close the short sale is considered a capital asset in the hands of the taxpayer.
- **Gains and losses of foreign corporations from the disposition of investment in United States real property.**—Foreign corporations are required to report gains and losses from the disposition of U.S. real property interests. See section 897 for details.
- **Gains on certain insurance property.**—Form 1120L filers with gains on property held on December 31, 1958, and certain substituted property acquired after 1958 should see section 818(c).
- **Loss from the sale or exchange of an insurance company's capital assets.**—Report the loss if the assets were sold or exchanged to get funds to meet abnormal insurance losses. If an insurance company is taxed under section 831 and is reporting a loss on Schedule D, also attach a schedule similar to Schedule C of Form 1120M. If an insurance company is taxed under section 821, all references to line numbers on Form 1120 are to be considered as references to the appropriate line on Form 1120M.
- **Loss from securities that are capital assets that become worthless during the year.**—Except for securities held by a bank, treat the loss as a capital loss as of the last day of the tax year. (See section 582 for the rules on the treatment of securities held by a bank.)
- **Nonrecognition of gain on sale of stock to an ESOP.**—See section 1042 for rules under which a taxpayer may elect not to recognize gain from the sale of certain stock to an employee stock ownership plan (ESOP).
- **Disposition of market discount bonds.**—See new section 1276 for rules on the disposition of any market discount bonds that were issued after July 18, 1984.

How to Determine the Cost or Other Basis of the Property

In determining gain or loss, the basis of property will generally be its cost (section 1012). The exceptions to the general rule are provided in sections contained in subchapters C, K, O, and P of the Code. For example, if the corporation acquired the property by dividend, liquidation of a corporation, transfer from a shareholder, reorganization, contribution or gift, bequest, bankruptcy, tax-free exchange, involuntary conversion, or wash sale of stock, see sections 301 (or 1059), 334, 362 (or 358), 1015, 1014, 372 (or 374), 1031, 1033, and 1091, respectively. Attach an explanation if the corporation uses a basis other than actual cash cost of the property.

If the corporation is allowed a charitable contribution deduction because it sold property to a charitable organization, figure the adjusted basis for determining gain from the sale by dividing the amount realized by the fair market value and multiplying that result by the adjusted basis.

Capital Losses.—The amount of capital losses allowed may not be more than capital gains. A net capital loss may be carried back 3 years and forward 5 years as a short-term capital loss. Carry back a capital loss to the extent it does not increase or produce a net operating loss in the tax year to which it is carried. Foreign expropriation capital losses may not be carried back, but may be carried forward 10 years instead of 5. A net capital loss for a regulated investment company may be carried forward 8 years instead of 5.

At risk limitations (section 465).—If the corporation sold or exchanged an asset used in an activity to which the at risk rules apply, combine the gain or loss on the sale or exchange with the profit or loss from the activity. If the result is a net loss from the activity, it may be subject to the at risk rules.

Part III—Summary of Schedule D Gains and Losses

If the net long-term capital gain is more than the net short-term capital loss, there is a net capital gain. In that case, the corporation may want to complete Part IV to determine if the resulting alternative tax is less than the tax figured using the regular method.

Part IV—Alternative Tax Computation

- Forms 1120-H and 1120-DISC filers omit Part IV.
- Form 1120L filers see Form 1120L instructions before figuring the alternative tax.

In figuring the alternative tax, do not refigure deductions limited by the amount of taxable income (such as contributions and the special deductions in Schedule C of Form 1120).

If the alternative tax amount on line 17 is less than the tax figured by the regular method, enter the amount of alternative tax on Form 1120, Schedule J, line 3; or the proper line on other returns. Also check the box for Schedule D.

If there is a net capital gain, the corporation may be liable for minimum tax. See **Form 4626**, Computation of Minimum Tax—Corporations, for more information.