Department of the Treasury
Internal Revenue Service

2003 Instructions for Schedule D

Capital Gains and Losses

Use Schedule D (Form 1040) to report the following.

- The sale or exchange of a capital asset (defined on this page) not reported on another form or schedule.
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions not reported directly on Form 1040, line 13a.
- Nonbusiness bad debts.

Additional Information. See **Pub. 544** and **Pub. 550** for more details. For a comprehensive filled-in example of Schedule D, see Pub. 550.

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

General Instructions

Changes To Note

Maximum Capital Gains Tax Rates. The 20% maximum tax rate on net capital gain (the excess of net long-term capital gain over net short-term capital loss) has been reduced to 15%, and the 10% rate has been reduced to 5%, for sales and other dispositions after May 5, 2003 (and installment payments received after that date). The 25% rate on unrecaptured section 1250 gain and the 28% rate on collectibles gain and section 1202 gain have not changed.

Qualified Dividends. Dividends paid by most domestic and foreign corporations after December 31, 2002, are eligible for the new maximum capital gains tax rate of 15% (5% in some cases). Qualified dividends are reported on Form 1040, line 9b. For details, see the Instructions for Form 1040, line 9b, on page 23.

Qualified 5-Year Gain. The 8% maximum capital gains tax rate for qualified 5-year gain has been eliminated for sales and other dispositions after May 5, 2003 (and installment payments received after that date). Instead, gain from these transactions will be taxed at the 5% maximum capital gains tax rate described above. See the instructions for line 35 on page D-10 for more details.

28% Rate Gain. Any 28% rate gain is now figured on a worksheet and entered on Schedule D, line 20. See the instructions for line 20 beginning on page D-8 for more details.

Capital Loss Carryover Worksheet. The Capital Loss Carryover Worksheet has been removed from the 2003 Instructions for Schedule D to simplify the preparation of your 2003 tax return. To figure your capital loss carryover to 2004, you will use a worksheet in the 2004 Instructions for Schedule D. See the instructions for line 18 on page D-7 for more details.

Other Forms You May Have To File

Use **Form 4797** to report the following.

- The sale or exchange of:

1. Property used in a trade or business;

2. Depreciable and amortizable property;

3. Oil, gas, geothermal, or other mineral property; and

4. Section 126 property.

- The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.
- The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.
- Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.
- Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.
- Ordinary gain or loss on securities held in connection with your trading business, if you previously made a mark-to-market election. See **Traders in Securities** on page D-3.

Use **Form 4684** to report involuntary conversions of property due to casualty or theft.

Use **Form 6781** to report gains and losses from section 1256 contracts and straddles.

Use **Form 8824** to report like-kind exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets. A capital asset is any property held by you **except** the following.

- Stock in trade or other property included in inventory or held mainly for sale to customers.
- Accounts or notes receivable for services performed in the ordinary course of your trade or business or as an employee, or from the sale of stock in trade or other property held mainly for sale to customers.
- Depreciable property used in your trade or business, even if it is fully depreciated.
- Real estate used in your trade or business.
- Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: **(a)** created by your personal efforts; **(b)** prepared or produced for you (in the case of letters, memoranda, or similar property); or **(c)** that you received from someone who created them or for whom they were created, as mentioned in **(a)** or **(b)**, in a way (such as by gift) that entitled you to the basis of the previous owner.
- U.S. Government publications, including the Congressional Record, that you received from the government, other than by purchase at the normal sales price, or that you got from someone who had received it in a similar way, if your basis is determined by reference to the previous owner's basis.
- Certain commodities derivative financial instruments held by a dealer. See section 1221(a)(6).
- Certain hedging transactions entered into in the normal course of your trade or business. See section 1221(a)(7).
- Supplies regularly used in your trade or business.

Cat. No. 24331I

Short Term or Long Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property.

A nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Capital Gain Distributions

These distributions are paid by a mutual fund (or other regulated investment company) or real estate investment trust from its net realized long-term capital gains. Distributions of net realized short-term capital gains are not treated as capital gains. Instead, they are included on **Form 1099-DIV** as ordinary dividends.

Enter on line 13, column (f), the **total** capital gain distributions paid to you during the year, regardless of how long you held your investment. This amount is shown in box 2a of Form 1099-DIV.

If there is an amount in box 2b of Form 1099-DIV, include that amount on line 13, column (g).

If there is an amount in box 2c, include that amount on line 5 of the **Qualified 5-Year Gain Worksheet** on page D-10 if you complete line 35 of Schedule D.

If there is an amount in box 2d, include that amount on line 11 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-7 if you complete line 19 of Schedule D.

If there is an amount in box 2e, see **Exclusion of Gain on Qualified Small Business (QSB) Stock** on page D-4.

If there is an amount in box 2f, include that amount on line 4 of the **28% Rate Gain Worksheet** on page D-8 if you complete line 20 of Schedule D.

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on line 13 only the amount that belongs to you. Attach a statement showing the full amount you received and the amount you received as a nominee. See the Instructions for Schedule B for filing requirements for Forms 1099-DIV and 1096.

Sale of Your Home

If you sold or exchanged your main home, **do not** report it on your tax return unless your gain exceeds your exclusion amount. Generally, if you meet the two tests below, you can exclude up to $250,000 of gain. If both you and your spouse meet these tests and you file a joint return, you can exclude up to $500,000 of gain (but only one spouse needs to meet the ownership requirement in **Test 1**).

Test 1. You owned and used the home as your main home for 2 years or more during the 5-year period ending on the date you sold or exchanged your home.

Test 2. You have not sold or exchanged another main home during the 2-year period ending on the date of the sale or exchange of your home.

Even if you do not meet one or both of the above two tests, you still can claim an exclusion if you sold or exchanged the home because of a change in place of employment, health, or certain unforeseen circumstances. In this case, the maximum amount of gain you can exclude is reduced.

See **Pub. 523** for details, including how to report any taxable gain if:

- You (or your spouse if married) used any part of the home for business or rental purposes after May 6, 1997, **or**
- Your gain exceeds your exclusion amount.

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income, collectibles gain (28% rate gain), or unrecaptured section 1250 gain. For details on 28% rate gain, see the instructions for line 20 beginning on page D-8. For details on unrecaptured section 1250 gain, see the instructions for line 19 beginning on page D-7.

Capital Assets Held for Personal Use

Generally, gain from the sale or exchange of a capital asset held for personal use is a capital gain. Report it on Schedule D, Part I or Part II. However, if you converted depreciable property to personal use, all or part of the gain on the sale or exchange of that property may have to be recaptured as ordinary income. Use Part III of **Form 4797** to figure the amount of ordinary income recapture. The recapture amount is included on line 31 (and line 13) of Form 4797. **Do not** enter any gain for this property on line 32 of Form 4797. If you are not completing Part III for any other properties, enter "N/A" on line 32. If the total gain is more than the recapture amount, enter "From Form 4797" in column (a) of line 1 or line 8 of Schedule D, skip columns (b) through (e), and in column (f) (and column (g) for sales after May 5, 2003) enter the excess of the total gain over the recapture amount.

Loss from the sale or exchange of a capital asset held for personal use is not deductible. But if you had a loss from the sale or exchange of real estate held for personal use for which you received a **Form 1099-S**, you must report the transaction on Schedule D even though the loss is not deductible. For example, you have a loss on the sale of a vacation home that is not your main home and you received a Form 1099-S for the transaction. Report the transaction on line 1 or 8, depending on how long you owned the home. Complete columns (a) through (e). Because the loss is not deductible, enter zero in column (f).

Nondeductible Losses

Do not deduct a loss from the direct or indirect sale or exchange of property between any of the following.

- Members of a family.
- A corporation and an individual owning more than 50% of the corporation's stock (unless the loss is from a distribution in complete liquidation of a corporation).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a beneficiary of another trust created by the same grantor.
- An executor of an estate and a beneficiary of that estate, unless the sale or exchange was to satisfy a pecuniary bequest (that is, a bequest of a sum of money).
- An individual and a tax-exempt organization controlled by the individual or the individual's family.

See **Pub. 544** for more details on sales and exchanges between related parties.

If you disposed of **(a)** an asset used in an activity to which the at-risk rules apply or **(b)** any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the Instructions for Form 6198.

If the loss is allowable under the at-risk rules, it may then be subject to the passive activity rules. See **Form 8582** and its instructions for details on reporting capital gains and losses from a passive activity.

Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See **Pub. 550**.
- Certain real estate subdivided for sale that may be considered a capital asset. See section 1237.
- Gain on the sale of depreciable property to a more than 50% owned entity or to a trust of which you are a beneficiary. See **Pub. 544**.
- Gain on the disposition of stock in an interest charge domestic international sales corporation. See section 995(c).
- Gain on the sale or exchange of stock in certain foreign corporations. See section 1248.
- Transfer of property to a partnership that would be treated as an investment company if it were incorporated. See **Pub. 541**.
- Sales of stock received under a qualified public utility dividend reinvestment plan. See Pub. 550.
- Transfer of appreciated property to a political organization. See section 84.
- In general, no gain or loss is recognized on the transfer of property from an

individual to a spouse or a former spouse if the transfer is incident to a divorce. See **Pub. 504**.

- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument. See Pub. 550.
- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as a long-term capital loss on Schedule D, but any gain is reported as ordinary income on **Form 4797.**
- If qualified dividends that you reported on Form 1040, line 9b, include extraordinary dividends, any loss on the sale or exchange of the stock is a long-term capital loss to the extent of the extraordinary dividends. An extraordinary dividend is a dividend that equals or exceeds 10% (5% in the case of preferred stock) of your basis in the stock.
- Amounts received by shareholders in corporate liquidations. See Pub. 550.
- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See Pub. 550.
- Mutual fund load charges, which may not be taken into account in determining gain or loss on certain dispositions of stock in mutual funds if reinvestment rights were exercised. See **Pub. 564.**
- The sale or exchange of S corporation stock or an interest in a trust held for more than 1 year, which may result in collectibles gain (28% rate gain). See page D-8.
- Gain or loss on the disposition of securities futures contracts. See Pub. 550.
- Gain on the constructive sale of certain appreciated financial positions. See Pub. 550.
- Certain constructive ownership transactions. Gain in excess of the gain you would have recognized if you had held a financial asset directly during the term of a derivative contract must be treated as ordinary income. See section 1260. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. See section 1260(b) for details, including how to figure the interest. Include the interest as an additional tax on Form 1040, line 60. Write "Section 1260(b) interest" and the amount of the interest to the left of line 60. This interest is not deductible.
- The sale of publicly traded securities, if you elect to postpone gain by purchasing common stock or a partnership interest in a specialized small business investment company during the 60-day period that began on the date of the sale. See Pub. 550.
- The sale of qualified securities, held for at least 3 years, to an employee stock ownership plan or eligible worker-owned cooperative, if you elect to postpone gain by purchasing qualified replacement property. See Pub. 550.

Wash Sales

A wash sale occurs when you sell or otherwise dispose of stock or securities (including a contract or option to acquire or sell stock or securities) at a loss and, within 30 days before or after the sale or disposition, you directly or indirectly:

- Buy substantially identical stock or securities,
- Acquire substantially identical stock or securities in a fully taxable trade, or
- Enter into a contract or option to acquire substantially identical stock or securities.

You **cannot** deduct losses from wash sales unless the loss was incurred in the ordinary course of your business as a dealer in stock or securities. The basis of the substantially identical property (or contract or option to acquire such property) is its cost increased by the disallowed loss. For more details on wash sales, see **Pub. 550**.

Report a wash sale transaction on line 1 or 8. Enter the full amount of the (loss) in column (f). Also report this amount in column (g) if the transaction occurred after May 5, 2003. Directly below the line on which you reported the loss, enter "Wash Sale" in column (a), and enter as a positive amount in column (f) (and column (g) for transactions after May 5, 2003) the amount of the loss not allowed.

Traders in Securities

You are a **trader in securities** if you are engaged in the **business** of buying and selling securities for your own account. To be engaged in business as a trader in securities:

- You must seek to **profit from daily market movements** in the prices of securities and not from dividends, interest, or capital appreciation.
- Your activity must be **substantial**.
- You must carry on the activity with **continuity** and **regularity**.

The following facts and circumstances should be considered in determining if your activity is a business.

- Typical holding periods for securities bought and sold.
- The frequency and dollar amount of your trades during the year.
- The extent to which you pursue the activity to produce income for a livelihood.
- The amount of time you devote to the activity.

You are considered an investor, and not a trader, if your activity does not meet the above definition of a business. It does not matter whether you call yourself a trader or a "day trader."

Like an investor, a trader must report each sale of securities (taking into account commissions and any other costs of acquiring or disposing of the securities) on Schedule D or D-1 or on an attached statement containing all the same information for each sale in a similar format. However, if a trader previously made the mark-to-market election (see below), each transaction is reported in Part II of **Form 4797** instead of Schedules D and D-1. Regardless of whether a trader reports his or her gains and losses on Schedules D and D-1 or Form 4797, the gain or loss from the disposition of securities is **not** taken into account when figuring net earnings from self-employment on Schedule SE. See the Instructions for Schedule SE for an exception that applies to section 1256 contracts.

The limitation on investment interest expense that applies to investors does not apply to interest paid or incurred in a trading business. A trader reports interest expense and other expenses (excluding commissions and other costs of acquiring or disposing of securities) from a trading business on Schedule C (instead of Schedule A).

A trader also may hold securities for investment. The rules for investors generally will apply to those securities. Allocate interest and other expenses between your trading business and your investment securities.

Mark-To-Market Election for Traders

A trader may make an election under section 475(f) to report all gains and losses from securities held in connection with a trading business as ordinary income (or loss), including securities held at the end of the year. Securities held at the end of the year are "marked to market" by treating them as if they were sold (and reacquired) for fair market value on the last business day of the year. Generally, the election must be made by the due date (**not** including extensions) of the tax return for the year **prior** to the year for which the election becomes effective. To be effective for 2003, the election must have been made by April 15, **2003**.

Starting with the year the election becomes effective, a trader reports all gains and losses from securities held in connection with the trading business, including securities held at the end of the year, in Part II of Form 4797. If you previously made the election, see the Instructions for Form 4797. For details on making the mark-to-market election for 2004, see Pub. 550 or Rev. Proc. 99-17, 1999-1 C.B. 503. You can find Rev. Proc. 99-17 on page 52 of Internal Revenue Bulletin 1999-7 at **www.irs.gov/pub/irs-irbs/irb99-07.pdf**.

If you hold securities for investment, they must be identified as such in your records on the day they are acquired (for example, by holding the securities in a separate brokerage account). Securities held for investment are not marked-to-market.

Short Sales

A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you either buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale. Usually, your holding period is the amount of time you actually held the property eventually delivered to the lender to close the short sale. However, your gain when closing a short sale is short term if you **(a)** held substantially identical property for 1 year or less on the date of the short sale or **(b)** acquired property substantially identical to the property sold short after the short sale but on or before the date you close the short sale. If you held substantially identical property for more than 1 year on the date of a short sale, any loss realized on the short sale is a long-term capital loss, even if the property used to close the short sale was held 1 year or less.

Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract but is a capital asset in your hands. If an option you purchased expired, enter the expiration date in column (c) and enter **"EXPIRED"** in column (d). If an option that was granted (written) expired, enter the expiration date in column (b) and enter **"EXPIRED"** in column (e). Fill in the other columns as appropriate. See **Pub. 550** for details.

Undistributed Capital Gains

Include on line 11, column (f), the amount from box 1a of **Form 2439.** This represents your share of the undistributed long-term capital gains of the regulated investment company (including a mutual fund) or real estate investment trust.

If there is an amount in box 1b of Form 2439, include that amount on line 11, column (g).

If there is an amount in box 1c, include that amount on line 5 of the **Qualified 5-Year Gain Worksheet** on page D-10 if you complete line 35 of Schedule D.

If there is an amount in box 1d, include that amount on line 11 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-7 if you complete line 19 of Schedule D.

If there is an amount in box 1e, see **Exclusion of Gain on Qualified Small Business (QSB) Stock** on page D-4.

If there is an amount in box 1f, include that amount on line 4 of the **28% Rate Gain Worksheet** on page D-8 if you complete line 20 of Schedule D.

Enter on Form 1040, line 67, the tax paid as shown in box 2 of Form 2439. Also on line 67, check the box for Form 2439. Add to the basis of your stock the excess of the amount included in income over the amount of the credit for the tax paid. See **Pub. 550** for details.

Installment Sales

If you sold property (other than publicly traded stocks or securities) at a gain and you will receive a payment in a tax year after the year of sale, you generally must report the sale on the installment method unless you elect not to. Use **Form 6252** to report the sale on the installment method. Also use Form 6252 to report any payment received in 2003 from a sale made in an earlier year that you reported on the installment method.

To elect out of the installment method, report the full amount of the gain on Schedule D on a timely filed return (including extensions) for the year of the sale. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return.

Demutualization of Life Insurance Companies

Demutualization of a life insurance company occurs when a mutual life insurance company changes to a stock company. If you were a policyholder or annuitant of the mutual company, you may have received either stock in the stock company or cash in exchange for your equity interest in the mutual company. The basis of your equity interest in the mutual company is considered to be zero.

If the demutualization transaction qualifies as a tax-free reorganization, no gain is recognized on the exchange of your equity interest in the mutual company for stock. The company can advise you if the transaction is a tax-free reorganization. Because the basis of your equity interest in the mutual company is considered to be zero, your basis in the stock received is zero. Your holding period for the new stock includes the period you held an equity interest in the mutual company. If you received cash in exchange for your equity interest, you must recognize a capital gain in an amount equal to the cash received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1.

If the demutualization transaction does not qualify as a tax-free reorganization, you must recognize a capital gain in an amount equal to the cash and fair market value of the stock received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1. Your holding period for the new stock begins on the day after you received the stock.

Exclusion of Gain on Qualified Small Business (QSB) Stock

Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of QSB stock. The section 1202 exclusion applies only to QSB stock held for more than 5 years.

To be **QSB stock**, the stock must meet **all** of the following tests.

- It must be stock in a C corporation (that is, not S corporation stock).
- It must have been originally issued after August 10, 1993.
- As of the date the stock was issued, the corporation was a domestic C corporation with total gross assets of $50 million or less **(a)** at all times after August 9, 1993, and before the stock was issued and **(b)** immediately after the stock was issued. Gross assets include those of any predecessor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.
- You must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property or as pay for services (other than as an underwriter) to the corporation. In certain cases, you may meet the test if you acquired the stock from another person who met the test (such as by gift or inheritance) or through a conversion or exchange of QSB stock you held.
- During substantially all the time you held the stock:

1. The corporation was a C corporation,

2. At least 80% of the value of the corporation's assets were used in the active conduct of one or more qualified businesses (defined below), and

3. The corporation **was not** a foreign corporation, DISC, former DISC, regulated investment company, real estate investment trust, REMIC, FASIT, cooperative, or a corporation that has made (or that has a subsidiary that has made) a section 936 election.

Note. A specialized small business investment company (SSBIC) is treated as having met test **2** above.

A **qualified business** is any business **other than** a—

- Business involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, or brokerage services.
- Business whose principal asset is the reputation or skill of one or more employees.
- Banking, insurance, financing, leasing, investing, or similar business.
- Farming business (including the raising or harvesting of trees).
- Business involving the production of products for which percentage depletion can be claimed.
- Business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see section 1202.

Pass-Through Entities

If you held an interest in a pass-through entity (a partnership, S corporation, or mutual fund or other regulated investment company) that sold QSB stock, to qualify for the exclusion you must have held the interest on the date the pass-through entity acquired the QSB stock and at all times thereafter until the stock was sold.

How To Report

Report in column (f) of line 8 the entire gain realized on the sale of QSB stock. Complete all other columns as indicated, but **do not** enter any amount in column (g). Directly below the line on which you reported the gain, enter in column (a) “Section 1202 exclusion” and enter as a loss in column (f) the amount of the allowable exclusion. If you are completing line 20 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the **28% Rate Gain Worksheet** on page D-8.

Gain From Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2e, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 20 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the **28% Rate Gain Worksheet** on page D-8.

Gain From Form 2439. If you received a Form 2439 with a gain in box 1e, part or all of that gain (which is also included in box 1a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 20 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the **28% Rate Gain Worksheet** on page D-8.

Gain From an Installment Sale of QSB Stock. If all payments are not received in the year of sale, a sale of QSB stock that is not traded on an established securities market generally is treated as an installment sale and is reported on Form 6252. Figure the allowable section 1202 exclusion for the year by multiplying the total amount of the exclusion by a fraction, the numerator of which is the amount of eligible gain to be recognized for the tax year and the denominator of which is the total amount of eligible gain. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 20 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the **28% Rate Gain Worksheet** on page D-8.

Alternative Minimum Tax. On line 12 of **Form 6251** you must enter 42% of your allowable exclusion for dispositions before May 6, 2003 (7% for dispositions after May 5, 2003).

Rollover of Gain From QSB Stock

If you sold QSB stock (defined on page D-4) that you held for more than 6 months, you may elect to postpone gain if you purchase other QSB stock during the 60-day period that began on the date of the sale. A pass-through entity also may make the election to postpone gain. The benefit of the postponed gain applies to your share of the entity’s postponed gain if you held an interest in the entity for the entire period the entity held the QSB stock. If a pass-through entity sold QSB stock held for more than 6 months and you held an interest in the entity for the entire period the entity held the stock, you also may elect to postpone gain if you, rather than the pass-through entity, purchase the replacement QSB stock within the 60-day period.

You must recognize gain to the extent the sale proceeds exceed the cost of the replacement stock. Reduce the basis of the replacement stock by any postponed gain.

You must make the election no later than the due date (including extensions) for filing your tax return for the tax year in which the QSB stock was sold. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write “Filed pursuant to section 301.9100-2” at the top of the amended return.

To make the election, report the entire gain realized on the sale in column (f) of line 1 or 8. If the sale occurred after May 5, 2003, also report the gain in column (g) (unless the gain also qualifies for the section 1202 exclusion discussed on page D-4). Directly below the line on which you reported the gain, enter in column (a) “Section 1045 rollover”, and enter the amount of the postponed gain as a (loss) in column (f) (and column (g) for sales after May 5, 2003, unless the gain also qualifies for the section 1202 exclusion discussed on page D-4).

Rollover of Gain From Empowerment Zone Assets

If you sold a qualified empowerment zone asset that you held for more than 1 year, you may be able to elect to postpone part or all of the gain that you would otherwise include on Schedule D. If you make the election, the gain on the sale generally is recognized only to the extent, if any, that the amount realized on the sale exceeds the cost of qualified empowerment zone assets (replacement property) you purchased during the 60-day period beginning on the date of the sale. The following rules apply.

- No portion of the cost of the replacement property may be taken into account to the extent the cost is taken into account to exclude gain on a different empowerment zone asset.
- The replacement property must qualify as an empowerment zone asset with respect to the same empowerment zone as the asset sold.
- You must reduce the basis of the replacement property by the amount of postponed gain.
- This election does not apply to any gain **(a)** treated as ordinary income or **(b)** attributable to real property, or an intangible asset, which is not an integral part of an enterprise zone business.
- The District of Columbia enterprise zone is not treated as an empowerment zone for this purpose.
- The election is irrevocable without IRS consent.

See **Pub. 954** for the definition of empowerment zone and enterprise zone business. You can find out if your business is located within an empowerment zone by using the RC/EZ/EC Address Locator at **http://hud.esri.com/locateservices/ezec**.

Qualified empowerment zone assets are:

- Tangible property, if:

1. You acquired the property after December 21, 2000,

2. The original use of the property in the empowerment zone began with you, and

3. Substantially all of the use of the property, during substantially all of the time that you held it, was in your enterprise zone business; **and**

- Stock in a domestic corporation or a capital or profits interest in a domestic partnership, if:

1. You acquired the stock or partnership interest after December 21, 2000, solely in exchange for cash, from the corporation at its original issue (directly or through an underwriter) or from the partnership;

2. The business was an enterprise zone business (or a new business being organized as an enterprise zone business) as of the time you acquired the stock or partnership interest; and

3. The business qualified as an enterprise zone business during substantially all of the time during which you held the stock or partnership interest.

How To Report. Report the entire gain realized from the sale as you otherwise would without regard to the election. On Schedule D, line 8, enter “Section 1397B Rollover” in column (a) and enter as a loss in column (f) (and column (g) for sales after May 5, 2003) the amount of gain included on Schedule D that you are electing to postpone. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

See section 1397B for more details.

Specific Instructions

Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 4684, 4797, 6252, 6781, or 8824). But **do not** report the sale or exchange of your main home unless required (see page D-2). Include these transactions even if you did not receive a **Form 1099-B** or **1099-S** (or substitute statement) for the transaction. You can use stock ticker symbols or abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

Use **Schedule D-1** to list additional transactions for lines 1 and 8. Use as many Schedules D-1 as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1.

CAUTION: Add the following amounts reported to you for 2003 on Forms 1099-B and 1099-S (or substitute statements) that you are not reporting on another form or schedule included with your return: **(a)** proceeds from transactions involving stocks, bonds, and other securities and **(b)** gross proceeds from real estate transactions (other than the sale of your main home if you are not required to report it). If this total is **more** than the total of lines 3 and 10, attach an explanation of the difference.

Column (b)—Date Acquired

Enter in this column the date the asset was acquired. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date the stock or property was delivered to the broker or lender to close the short sale.

The date acquired for an asset you held on January 1, 2001, for which you made an election to recognize any gain in a deemed sale is the date of the deemed sale and reacquisition.

If you disposed of property that you acquired by inheritance, report the gain or (loss) on line 8 and enter **“INHERITED”** in column (b) instead of the date you acquired the property.

If you sold a block of stock (or similar property) that was acquired through several different purchases, you may report the sale on one line and enter **“VARIOUS”** in column (b). However, you still must report the short-term gain or (loss) on the sale in Part I and the long-term gain or (loss) in Part II.

Column (c)—Date Sold

Enter in this column the date the asset was sold. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date you sold the stock or property you borrowed to open the short sale transaction.

Column (d)—Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B (or substitute statement) from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), **do not** include the commissions and option premiums from the sale in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).

CAUTION: Be sure to add all sales price entries on lines 1 and 8, column (d), to amounts on lines 2 and 9, column (d). Enter the totals on lines 3 and 10.

Column (e)—Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. If you inherited the property, got it as a gift, or received it in a tax-free exchange, involuntary conversion, or “wash sale” of stock, you may not be able to use the actual cost as the basis. If you do not use the actual cost, attach an explanation of your basis.

If you sold stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits. See **Pub. 550** for details.

If you elected to recognize gain on an asset held on January 1, 2001, your basis in the asset is its closing market price or fair market value, whichever applies, on the date of the deemed sale and reacquisition, whether the deemed sale resulted in a gain or an unallowed loss.

You may elect to use an average basis for all shares of a mutual fund if you acquired the shares at various times and prices and you left the shares on deposit in an account handled by a custodian or agent who acquired or redeemed those shares. If you are reporting an average basis, include “AVGB” in column (a) of Schedule D. For details on making the election and how to figure average basis, see **Pub. 564**.

The basis of property acquired by gift is generally the basis of the property in the hands of the donor. The basis of property acquired from a decedent is generally the fair market value at the date of death. See **Pub. 551** for details.

Increase the cost or other basis of an original issue discount (OID) debt instrument by the amount of OID that has been included in gross income for that instrument. See **Pub. 550** for details.

If a charitable contribution deduction is allowed because of a bargain sale of property to a charitable organization, the adjusted basis for purposes of determining gain from the sale is the amount that has the same ratio to the adjusted basis as the amount realized has to the fair market value. See **Pub. 544** for details.

Increase your cost or other basis by any expense of sale, such as broker’s fees, commissions, state and local transfer taxes, and option premiums, before making an entry in column (e), unless you reported the net sales price in column (d).

For more details, see **Pub. 551**.

Column (f)—Gain or (Loss) for the Entire Year

You **must** make a separate entry in this column for each transaction reported on lines 1 and 8 and any other line(s) that applies to you. For lines 1 and 8, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

Column (g)—Post-May 5 Gain or (Loss)

Enter in this column all gains and losses you reported in column (f) from sales, exchanges, or conversions (including installment payments received) after May 5, 2003. However, **do not** include gain attributable to unrecaptured section 1250 gain, collectibles gains and losses (defined on page D-8) or eligible gain on qualified small business stock (defined on page D-4).

Line 7a

Enter on line 7a, column (g), your post-May 5 short-term loss, if any. If the total of lines 1 through 5 in column (g) is a gain, enter zero.

Example 1. Bill and Jean Birch had the following short-term capital gains and losses for 2003.

1. A sale of stock on April 10, 2003, at a loss of ($2,000).

2. A sale of stock on July 7, 2003, at a gain of $2,000.

3. A sale of stock on September 15, 2003, at a loss of ($3,000).

The Birches enter a loss of ($1,000) on line 7a, column (g), consisting of the post-May 5 short-term gain of $2,000 from item 2 and the post-May 5 short-term loss of ($3,000) from item 3.

Example 2. Frank and Barbara Elm had the following short-term capital gains and losses for 2003.

1. A sale of stock on March 5, 2003, at a gain of $2,500.

2. A sale of stock on June 9, 2003, at a gain of $4,000.

3. A sale of stock on September 20, 2003, at a loss of ($3,000).

The Elms enter zero on line 7a, column (g), since they have a post-May 5 net short-term gain of $1,000, consisting of the post-May 5 short-term gain of $4,000 from item 2 and the post-May 5 short-term loss of ($3,000) from item 3.

Line 18

Limit on Capital Losses. For 2003, you may deduct capital losses up to the amount of your capital gains plus $3,000 ($1,500 if married separately).

Capital Loss Carryover. You have a capital loss carryover from 2003 to 2004 if you have a loss on line 17a and either:

- That loss is more than the loss on line 18 **or**
- Form 1040, line 38, is less than zero.

To figure any capital loss carryover to 2004, you will use the **Capital Loss Carryover Worksheet** in the 2004 Instructions for Schedule D. If you want to figure your carryover now, see **Pub. 550.**

TIP You will need a copy of your 2003 Form 1040 and Schedule D to figure your capital loss carryover to 2004.

Tax Computation Using Maximum Capital Gains Rates

First, complete Form 1040 through line 40 (taxable income). Then, unless the **Exception** below applies, complete Part IV of Schedule D to figure your tax if:

- Both lines 16 and 17a of Schedule D are gains **or**
- You have qualified dividends on Form 1040, line 9b.

If you cannot use Part IV of Schedule D to figure your tax, see the Instructions for Form 1040, line 41.

Exception. If Form 1040, line 40, is zero, enter zero on Form 1040, line 41, and **do not** complete Part IV of Schedule D.

Line 19

If you complete Part IV, complete the worksheet below if **any** of the following apply for 2003.

- You sold or otherwise disposed of section 1250 property (generally, real property that you depreciated) held more than 1 year.
- You received installment payments for section 1250 property held more than 1 year for which you are reporting gain on the installment method.
- You received a Schedule K-1 from an estate or trust, partnership, or S corporation that shows “unrecaptured section 1250 gain.”
- You received a Form 1099-DIV or Form 2439 from a real estate investment trust or regulated investment company (including a mutual fund) that reports “unrecaptured section 1250 gain.”
- You reported a long-term capital gain from the sale or exchange of an interest in a partnership that owned section 1250 property.

Instructions for the Unrecaptured Section 1250 Gain Worksheet

Lines 1 through 3. If you had more than one property described on line 1, complete lines 1 through 3 for each property on a separate worksheet. Enter the total of the line 3 amounts for all properties on line 3 and go to line 4.

Line 4. To figure the amount to enter on line 4, follow the steps below for each installment sale of trade or business property held more than 1 year.

Step 1. Figure the **smaller** of **(a)** the depreciation allowed or allowable or **(b)** the total gain for the sale. This is the **smaller** of line 22 or line 24 of your 2003 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

Unrecaptured Section 1250 Gain Worksheet—Line 19

Keep for Your Records

If you are not reporting a gain on Form 4797, line 7, column (g), skip lines 1 through 9 and go to line 10.

1.	If you have a section 1250 property in Part III of Form 4797 for which you made an entry in Part I of Form 4797 (but not on Form 6252), enter the **smaller** of line 22 or line 24 of Form 4797 for that property. If you did not have any such property, go to line 4. If you had more than one such property, see instructions		**1.**	
2.	Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1		**2.**	
3.	Subtract line 2 from line 1		**3.**	
4.	Enter the total unrecaptured section 1250 gain included on line 26 or line 37 of Form(s) 6252 from installment sales of trade or business property held more than 1 year (see instructions)		**4.**	
5.	Enter the total of any amounts reported to you on a Schedule K-1 from a partnership or an S corporation as “unrecaptured section 1250 gain”		**5.**	
6.	Add lines 3 through 5		**6.**	
7.	Enter the **smaller** of line 6 or the gain from Form 4797, line 7, column (g)	**7.**		
8.	Enter the amount, if any, from Form 4797, line 8, column (g)	**8.**		
9.	Subtract line 8 from line 7. If zero or less, enter -0-		**9.**	
10.	Enter the amount of any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain (see instructions)		**10.**	
11.	Enter the total of any amounts reported to you on a Schedule K-1, Form 1099-DIV, or Form 2439 as “unrecaptured section 1250 gain” from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company)		**11.**	
12.	Enter the total of any unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year for which you did not make an entry in Part I of Form 4797 for the year of sale (see instructions)		**12.**	
13.	Add lines 9 through 12		**13.**	
14.	If you had any section 1202 gain or collectibles gain or (loss), enter the total of lines 1 through 4 of the **28% Rate Gain Worksheet** on page D-8. Otherwise, enter -0-	**14.**		
15.	Enter the (loss), if any, from Schedule D, line 7b. If Schedule D, line 7b, is zero or a gain, enter -0-	**15.** ( )		
16.	Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), line 13c	**16.** ( )		
17.	Combine lines 14 through 16. If the result is a (loss), enter it as a positive amount. If the result is zero or a gain, enter -0-		**17.**	
18.	**Unrecaptured section 1250 gain.** Subtract line 17 from line 13. If zero or less, enter -0-. Enter the result here and on Schedule D, line 19		**18.**	

Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2003 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of section 1231 gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2003 as the **smaller** of **(a)** the amount from line 26 or line 37 of your 2003 Form 6252, whichever applies, or **(b)** the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

Line 10. Include on line 10 your share of the partnership's unrecaptured section 1250 gain that would result if the partnership had transferred all of its section 1250 property in a fully taxable transaction immediately before you sold or exchanged your interest in that partnership. If you recognized less than all of the realized gain, the partnership will be treated as having transferred only a proportionate amount of each section 1250 property. For details, see Regulations section 1.1(h)-1. Also attach the statement required under Regulations section 1.1(h)-1(e).

Line 12. An example of an amount to include on line 12 is unrecaptured section 1250 gain from the sale of a vacation home you previously used as a rental property but converted to personal use prior to the sale. To figure the amount to enter on line 12, follow the applicable instructions below.

Installment sales. To figure the amount to include on line 12, follow the steps below for each installment sale of property held more than 1 year for which you did not make an entry in Part I of your Form 4797 for the year of sale.

- **Step 1.** Figure the **smaller** of **(a)** the depreciation allowed or allowable or **(b)** the total gain for the sale. This is the **smaller** of line 22 or line 24 of your 2003 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.
- **Step 2.** Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2003 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.
- **Step 3.** Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2003 as the **smaller** of **(a)** the amount from line 26 or line 37 of your 2003 Form 6252, whichever applies, or **(b)** the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 12.

Other sales or dispositions of section 1250 property. For each sale of property held more than 1 year (for which you did not make an entry in Part I of Form 4797), figure the **smaller** of **(a)** the depreciation allowed or allowable or **(b)** the total gain for the sale. This is the **smaller** of line 22 or line 24 of Form 4797 for the property. Next, reduce that amount by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of Form 4797 for the property. The result is the total unrecaptured section 1250 gain for the sale. Include this amount on line 12.

Line 20

If you complete Part IV, complete the worksheet below if **either** of the following apply for 2003.

- You reported in Part II, column (f), a section 1202 exclusion from the eligible gain on qualified small business stock (see page D-4) or
- You reported in Part II, column (f), a collectibles gain or (loss). A **collectibles gain or (loss)** is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Include on the worksheet any gain (but not loss) from the sale or exchange of an interest in a partnership, S corporation, or trust held for more than 1 year

28% Rate Gain Worksheet—Line 20

Keep for Your Records

1.	Enter the total of all collectibles gain or (loss) from items you reported on line 8, column (f), of Schedules D and D-1	**1.**	
2.	Enter as a positive number the amount of any section 1202 exclusion you reported on line 8, column (f), of Schedules D and D-1	**2.**	
3.	Enter the total of all collectibles gain or (loss) from Form 4684, line 4 (but only if Form 4684, line 15, is more than zero); Form 6252; Form 6781, Part II; and Form 8824	**3.**	
4.	Enter the total of any collectibles gain reported to you on: • Form 1099-DIV, box 2f; • Form 2439, box 1f; and • Schedule K-1 from a partnership, S corporation, estate, or trust.	**4.**	
5.	Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), line 13c	**5.**	( )
6.	If Schedule D, line 7b, is a (loss), enter that (loss) here. Otherwise, enter -0-	**6.**	( )
7.	Combine lines 1 through 6. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 20	**7.**	

and attributable to unrealized appreciation of collectibles. For details, see Regulations section 1.1(h)-1. Also, attach the statement required under Regulations section 1.1(h)-1(e).

Lines 31 and 43

If you are filing **Form 4952,** Investment Interest Expense Deduction, and the amount on line 4g is greater than the amount on line 4e of that form, use the worksheet below to figure the amount to enter on Schedule D, lines 31 and 43. Otherwise, enter on those lines the sum of lines 17b and 23 of Schedule D (unless you are skipping the line).

Worksheet for Lines 31 and 43

Keep for Your Records

1. Enter your qualified dividends from Form 1040, line 9b		**1.**	
2. Enter the amount from Form 4952, line 4g	**2.**		
3. Enter the amount from Form 4952, line 4e (or, if applicable, the smaller amount you entered on the dotted line next to line 4e)	**3.**		
4. Subtract line 3 from line 2. If zero or less, enter -0-		**4.**	
5. Subtract line 4 from line 1. If zero or less, enter -0-		**5.**	
6. Enter the amount from Schedule D, line 17b		**6.**	
7. Add lines 5 and 6. Enter the result here and on Schedule D, lines 31 and 43 (unless you are skipping the line)		**7.**	

Line 35—Qualified 5-Year Gain

Qualified 5-year gain is long-term capital gain (other than 28% rate gain or gain on line 6 or 10 through 12 of the **Unrecaptured Section 1250 Gain Worksheet**) from property held more than 5 years and sold or otherwise disposed of before May 6, 2003. Qualified 5-year gain is taxed at 8% to the extent the gain would otherwise be taxed at 10%. To figure your qualified 5-year gain, complete the worksheet on this page if any of the following apply.

- You held long-term capital gain property for more than 5 years and sold or otherwise disposed of it at a gain before May 6, 2003.
- You received a Schedule K-1 from an estate, trust, partnership, or S corporation that reports "qualified 5-year gain."
- You received a Form 1099-DIV (or Form 2439) with "qualified 5-year gain" reported in box 2c (box 1c of Form 2439).
- You received payments before May 6, 2003, from an installment sale of long-term capital gain property that you had held for more than 5 years when you entered into the installment sale.

Qualified 5-Year Gain Worksheet—Line 35

Keep for Your Records

1.	Enter the total of all gains that you reported on line 8, column (f), of Schedules D and D-1 from property held more than 5 years and disposed of before May 6, 2003. **Do not** reduce these gains by any losses	**1.**	
2.	Enter the total of all gains from property held more than 5 years and disposed of before May 6, 2003, from Form 4797, Part I, but **only** if Form 4797, line 7, column (g), is more than zero. **Do not** reduce these gains by any losses	**2.**	
3.	Enter the total of all capital gains from property held more than 5 years and disposed of before May 6, 2003, from Form 4684, line 4, but **only** if Form 4684, line 15, is more than zero. **Do not** reduce these gains by any losses	**3.**	
4.	Enter the total of all capital gains from property held more than 5 years and disposed of before May 6, 2003, from Form 6252; Form 6781, Part II; and Form 8824. **Do not** reduce these gains by any losses	**4.**	
5.	Enter the total of any qualified 5-year gain reported to you on: • Form 1099-DIV, box 2c; • Form 2439, box 1c; and • Schedule K-1 from a partnership, S corporation, estate, or trust (**do not** include gains from section 1231 property; take them into account on line 2 above, but **only** if Form 4797, line 7, column (g), is more than zero).	**5.**	
6.	Add lines 1 through 5	**6.**	
7.	Enter the part, if any, of the gain on line 6 that is: • Attributable to 28% rate gain **or** • Included on line 6, 10, 11, or 12 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-7.	**7.**	
8.	**Qualified 5-year gain.** Subtract line 7 from line 6. Enter the result here and on Schedule D, line 35	**8.**	

Schedule D Tax Worksheet—Line 53

Keep for Your Records

Complete this worksheet only if line 19 or line 20 of Schedule D is more than zero.

1. Enter your taxable income from Form 1040, line 40 . . . . . 1. ______
2. Enter your qualified dividends from Form 1040, line 9b . . . . . 2. ______
3. Enter the amount from Form 4952, line 4g 3. ______
4. Enter the amount from Form 4952, line 4e* 4. ______
5. Subtract line 4 from line 3. If zero or less, enter -0- . . . . . 5. ______
6. Subtract line 5 from line 2. If zero or less, enter -0- . . . . . 6. ______
7. Enter the **smaller** of line 16 or line 17a of Schedule D . . . . . 7. ______
8. Enter the **smaller** of line 3 or line 4 . . . . . 8. ______
9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . . 9. ______
10. Add lines 6 and 9 . . . . . 10. ______
11. Add lines 19 and 20 of Schedule D . . . . . 11. ______
12. Enter the **smaller** of line 9 or line 11 . . . . . 12. ______
13. Subtract line 12 from line 10. . . . . . 13. ______
14. Subtract line 13 from line 1. If zero or less, enter -0-. . . . . . 14. ______
15. Enter the **smaller** of line 1 or:
    - $56,800 if married filing jointly or qualifying widow(er);
    - $28,400 if single or married filing separately; or
    - $38,050 if head of household.

    } . . . . . 15. ______
16. Enter the **smaller** of line 14 or line 15 . . . . . 16. ______
17. Subtract line 10 from line 1. If zero or less, enter -0- . . . . . 17. ______
18. Enter the **larger** of line 16 or line 17 . . . . . ▶ 18. ______

    If lines 15 and 16 are the same, skip lines 19 through 28 and go to line 29. Otherwise, go to line 19.
19. Subtract line 16 from line 15 . . . . . ▶ 19. ______
20. Add the amounts on Schedule D, line 17b, and line 6 above . . . . . 20. ______
21. Enter the **smaller** of line 19 or line 20 . . . . . 21. ______
22. Multiply line 21 by 5% (.05) . . . . . 22. ______

    If lines 19 and 21 are the same, skip lines 23 through 28 and go to line 29. Otherwise, go to line 23.
23. Subtract line 21 from line 19 . . . . . 23. ______
24. Qualified 5-year gain from the worksheet on page D-10. **Also enter on Schedule D, line 35** . . . . . 24. ______
25. Enter the **smaller** of line 23 or line 24 . . . . . 25. ______
26. Multiply line 25 by 8% (.08) . . . . . 26. ______
27. Subtract line 25 from line 23 . . . . . 27. ______
28. Multiply line 27 by 10% (.10) . . . . . 28. ______

    If lines 1 and 15 are the same, skip lines 29 through 47 and go to line 48. Otherwise, go to line 29.
29. Enter the **smaller** of line 1 or line 13 . . . . . 29. ______
30. Enter the amount from line 19 (if line 19 is blank, enter -0-) . . . . . 30. ______
31. Subtract line 30 from line 29. If zero or less, enter -0- . . . . . ▶ 31. ______
32. Add the amounts on Schedule D, line 17b, and line 6 above . . . . . 32. ______
33. Enter the amount from line 21 (if line 21 is blank, enter -0-) . . . . . 33. ______
34. Subtract line 33 from line 32 . . . . . 34. ______
35. Enter the **smaller** of line 31 or line 34 . . . . . 35. ______
36. Multiply line 35 by 15% (.15) . . . . . 36. ______
37. Subtract line 35 from line 31 . . . . . 37. ______
38. Multiply line 37 by 20% (.20) . . . . . 38. ______

    If Schedule D, line 19, is zero or blank, skip lines 39 through 44 and go to line 45. Otherwise, go to line 39.
39. Enter the **smaller** of line 9 above or Schedule D, line 19 . . . . . 39. ______
40. Add lines 10 and 18 . . . . . 40. ______
41. Enter the amount from line 1 above . . . . . 41. ______
42. Subtract line 41 from line 40. If zero or less, enter -0- . . . . . 42. ______
43. Subtract line 42 from line 39. If zero or less, enter -0- . . . . . ▶ 43. ______
44. Multiply line 43 by 25% (.25) . . . . . 44. ______

    If Schedule D, line 20, is zero or blank, skip lines 45 through 47 and go to line 48. Otherwise, go to line 45.
45. Add lines 18, 19, 31, and 43 . . . . . 45. ______
46. Subtract line 45 from line 1 . . . . . 46. ______
47. Multiply line 46 by 28% (.28) . . . . . 47. ______
48. Figure the tax on the amount on **line 18**. Use the Tax Table or Tax Rate Schedules, whichever applies . . . . . 48. ______
49. Add lines 22, 26, 28, 36, 38, 44, 47, and 48 . . . . . 49. ______
50. Figure the tax on the amount on **line 1.** Use the Tax Table or Tax Rate Schedules, whichever applies . . . . . 50. ______
51. **Tax on all taxable income (including capital gains and qualified dividends).** Enter the **smaller** of line 49 or line 50. Also enter this amount on Schedule D, line 53, **and** Form 1040, line 41 . . . . . 51. ______

*If applicable, enter instead the smaller amount you entered on the dotted line next to line 4e of Form 4952.