

# CAPITAL GAINS AND LOSSES



**Office of the Staff Judge  
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Eielson AFB, Alaska**

**354 FW/JA**

**Legal Assistance & Preventive  
Law  
Pamphlet Series**

Almost everything you own and use for personal and investment purposes is a capital asset. Examples include a home, personal-use items like household goods, and stocks or bonds held as investments. When you sell a capital asset, the difference between the adjusted basis in the asset and the amount you realized from the sale is a capital gain or capital loss. You have a capital gain if you sell the asset for more than your adjusted basis. You have a capital loss if you sell the asset for less than your adjusted basis. Losses from the sale of personal-use property, such as your home or car, are not tax deductible. These gains and losses must be reported to the IRS on a yearly tax return.

## **SHORT TERM AND LONG TERM**

Capital gains and losses are classified as short-term or long-term. If you hold the asset for more than one year before you dispose of it, your capital gain or loss is long-term. If you hold the asset for one year or less, your capital gain or loss is short-term. To determine how long you held the asset, count from the day after the day you acquired the asset up to and including the day you disposed of it.

## **INVESTMENT PROPERTY**

Investment property includes investments such as stocks and bonds, as well as jewelry and precious metals. When these are sold, they must be reported with the date of purchase as well as the date of sale.

## **PERSONAL USE PROPERTY**

Personal use property, such as household furnishings and a car used for commuting, is a capital asset that can be sold for a capital gain or loss.

## **SALE OF A HOME**

There are specific rules that apply when reporting capital gains on the sale of a home. To figure out the gain or loss from the sale of a home it is important to know the selling price, the amount realized (selling price less selling expenses), and the adjusted basis. Subtracting the adjusted basis from the amount realized will result in the amount of capital gain or loss. After figuring this amount, if it is more than allowed by the IRS, the remaining portion must be reported as a capital gain.

## **TAX RATES AND LIMITS**

The rate at which the capital gain is taxed varies depending on the type of capital asset. Subject to certain limits, capital losses can be deducted.

## **CONCLUSION**

This is a brief overview of capital gains and losses. For more information, visit [www.irs.gov](http://www.irs.gov), or call the Legal Office at 377-4114.

**This pamphlet provides basic information about capital gains and losses. It is not intended to take the place of legal advice from a Judge Advocate. There may be important exceptions in some states to this information. Please contact the 354th Fighter Wing Legal Office for questions and further information.**



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