



## Wash Sale General Information

Generally, a wash sale is what occurs when you sell securities at a loss and buy the same shares within 30 days before or after the sale date. Wash sale rules are designed to prevent investors from creating a deductible loss for the purpose of offsetting gains with only a short interruption in owning the security.

Specifically, the following situations count as a wash sale:

- You sell or trade stock, mutual fund shares, or bonds at a loss.
- Within 30 days before or after the sale date, you:
  - Buy substantially identical stock or shares
  - Gain substantially identical stock or securities in a fully taxable trade
  - Obtain a contract or option to buy substantially identical stock or securities
  - Get substantially identical stock for a traditional or Roth IRA.

If you have a loss from a wash sale, you can't deduct the loss on your return. However, a gain on a wash sale is taxable.

### Why Do Wash Sale Rules Exist?

The wash sale rules are designed to prevent people from selling investments and then buying the same stock back. Investors do this for the sole purpose of:

- Creating a deductible loss
- Using the loss to offset other shares sold for a gain
- Still keeping the stock or security in their investment portfolio

You can't sell a stock or mutual fund at a loss and then buy the security back again within 30 days just to claim the losses.

You'll need to figure the basis for shares sold in a wash sale. When you do, add the amount of disallowed loss to the basis of the shares that caused the wash sale. These are the new shares you received. By doing this, you defer the loss, but it's not disallowed for good. You'll get the benefit of the loss when you eventually sell the new shares (unless it's another wash sale!).

You also have a wash sale if both of these apply:

- You sell stock at a loss; and
- Your spouse—or a corporation you control—buys the same stock within the 30 days before and after the date of the sale.

Also, you might have bought fewer shares of stock or securities than you sold. If so, only the number of shares you bought is subject to the wash-sale rules.



## Basis in a Wash Sale

Example:	Bought at	\$50.00	Original Basis
	Sold at	\$20.00	During the Wash Sale Period
	Loss	\$30.00	
	Bought at	\$10.00	During the Wash Sale Period
	New Basis	\$40.00	Current Basis of \$10 + \$30= \$40

## How Do I Report Wash Sales on My Taxes?

Report wash sales on Form 8949 filing taxes on your own. For shares, you sold that aren't subject to the wash sale rules, report the sale as an ordinary transaction.

To learn more about identical stocks and securities, see Publication 550: Investment Income and Expenses at [www.irs.gov](http://www.irs.gov).

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