

Stock Capital Losses

As the new year begins, now is the time to examine your anticipated 2006 taxable income. If you have sold any capital assets for a gain, such as stocks or mutual funds, you might want to consider ways of offsetting that gain. In this weak stock market, you are likely to have in your investment portfolio holdings that are currently priced below your purchase price. Now might be a good time to sell those stocks or mutual funds to generate losses to offset capital gains or up to \$3,000 of your ordinary income.

In the event that you wish to retain a loss security in your investment portfolio, you may be able to sell the stock to recognize the loss and then reacquire the stock to continue your investment. However, in order to use the loss on your 2006 tax return, you must wait 30 days after the sale to repurchase the security. If you anticipate that the stock price may rise during that 30-day period, you may also purchase additional shares of the security. After you have held the newly acquired stock for 30 days, you can sell the original shares at a loss. This loss could be used to offset capital gains or up to \$3,000 of ordinary income.

Please call our office if you have any questions about the sale of capital assets or if you have other tax planning questions.