YEAR-END CHECKLIST

Tax-Loss Harvesting Checklist

Selling losers to offset winners can cut your capital-gains bill. Net capital losses first cancel gains dollar-for-dollar; up to **$3,000** of leftover loss deducts against ordinary income each year (**$1,500** if married filing separately), and the rest **carries forward** indefinitely.

Watch the wash-sale rule `IRC §1091` — you **cannot** claim the loss if you buy the **same or a "substantially identical"** security within **30 days before or after** the sale (a 61-day window). The disallowed loss is added to the basis of the replacement shares. The rule also reaches purchases in your IRA and by your spouse.

Before December 31

- [ ] Total your **realized gains** so far this year — short-term and long-term separately.
- [ ] List positions sitting at an **unrealized loss** you no longer want to hold.
- [ ] Match losses to gains — **offset short-term gains first** (they're taxed at the higher ordinary rates).
- [ ] Check the **wash-sale window**: no buying the same/again within 30 days before *or* after — including in an IRA or by a spouse.
- [ ] Want to stay invested? Buy a **not-substantially-identical** alternative (e.g., a different fund) instead of rebuying.
- [ ] Harvest up to **$3,000** of net loss against ordinary income ($1,500 MFS); note any **carryforward** for next year.
- [ ] Mind **settlement/trade dates** — the trade date generally controls for stocks; don't cut it too close to year-end.
- [ ] Keep records for **Form 8949 & Schedule D** (dates, basis, proceeds).

Order of offset: short-term losses first cancel short-term gains, long-term losses cancel long-term gains, then any excess crosses over. Because short-term gains are taxed as ordinary income, sheltering them usually saves the most. `§1211` `§1212`

