

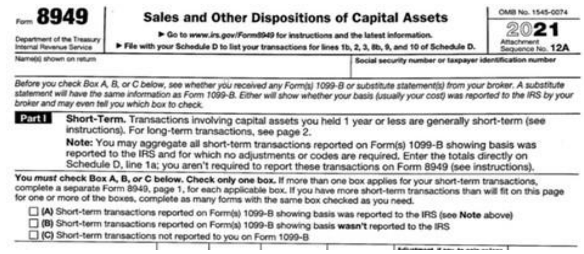
ISSUE 7 | VOLUME 2 | 2022

CKR Financial Services

monthly journal

HELPING OUR CLIENTS GAIN THE ADVANTAGE OVER THE COMPETITION

Last month, I shared some tax strategies to help minimize liabilities. Today, I'd like to share something that has caused several tax clients angst. It's important to keep this in mind while making investment decisions during the year.



Form **8949** Department of the Treasury Internal Revenue Service

Sales and Other Dispositions of Capital Assets

▶ Go to www.irs.gov/Form8949 for instructions and the latest information.
▶ File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.

OMB No. 1545-0074 2021 Attachment Sequence No. 12A

Name(s) shown on return | Social security number or taxpayer identification number

Before you check Box A, B, or C below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

Part I **Short-Term.** Transactions involving capital assets you held 1 year or less are generally short-term (see instructions). For long-term transactions, see page 2.

Note: You may aggregate all short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 1a; you aren't required to report these transactions on Form 8949 (see instructions).

You *must* check Box A, B, or C below. Check only one box. If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

☐ (A) Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see **Note** above)
☐ (B) Short-term transactions reported on Form(s) 1099-B showing basis **wasn't** reported to the IRS
☐ (C) Short-term transactions not reported to you on Form 1099-B

The Wash Sale Rule

When the pandemic happened and people were at home, some folks began testing their hand at day trading. While there's nothing wrong with that and it is YOUR money to do with as you wish, there are some things you want to steer clear of. One of these is the "Wash Sale". Simply put, a wash sale is when you sell a security for a loss but have purchased the same asset, or a very similar one, within 30 days before or after the sale.

Normally, you can write off your capital losses and use them to offset any capital gains.

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

Investors try to find ways around this IRS wash sale rule. They often try what's called Tax Loss Harvesting. Tax loss harvesting is when you sell some investments at a loss to offset gains you've realized by selling other stocks at a profit, resulting in paying taxes only on your net profit.

Unfortunately, the IRS is savvy and has given this forethought.

For instance, if you are filing jointly, you may think that if you sold at a loss, you could have your spouse buy the same stock.

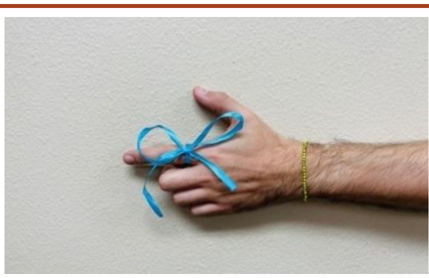
However, the wash rule applies to you and your spouse as a unit so you cannot claim a loss while your spouse buys within that 30-day window.

Similarly, if you sell at a loss and then re-buy the same stock out of a different account such as a retirement account, you do not get to take the loss according to the wash sale rule.

Keep in mind that you only have until Dec 31 to clear your wash sales and be able to claim any loss for that year's tax return. But wash rules still carryover into the new year regarding the 30-day rebuy or resell.

Keep in mind that wash sales apply 30 days before or after the buy and sell of the asset.

Wash sales are not illegal and there is no IRS penalty. However, they do tend to creep up on day-traders if you don't know what to look for and often find out too late that the loss you were counting on is not allowed. This is a good time to review your accounts and check for these events so you can make appropriate adjustments now before they pop up next tax season!



REMINDERS

- On July 1, 2022, the hourly minimum wage in Nevada will increase to $9.50 for employers who offer health benefits that meet certain criteria, and $10.50 for employers who do not offer sufficient benefits.
- Mileage rates increase on July 1, 2022 from $.585/mile to $.625/mile. If you use mileage on your tax return, be sure to have it calculated up through June 30 so you can use the new rate starting July 1, 2022.

Home Sale

When deciding to sell your primary residence, you must keep in mind the repercussions of capital gains and the effect they will have on your tax return.

With home prices at historic levels, many homeowners are considering if they would like to sell their home. If you've owned your home for a couple of years, chances are your principal residence is worth more than you paid for it. Individuals who sell their primary residence can exclude up to $250,000 ($500,000 if married filing jointly) if they meet 3 tests:

Ownership: You must have owned the home for at least 2 years during the 5-year period ending with the date of sale.

Use: You have used the home as your principal residence for at least 2 years during the 5-year period ending with the date of sale.

Two-Year Period: You did not exclude gain from the sale of another home during the 2-year period ending on the date of sale.

What this means is that you must have owned the home for at least 2 years, used it as your primary residence for 2 of the last 5 years (doesn't have to be continuous), and not have excluded any gains from a home sale in the past 2 years. If these conditions are met, you can exclude $250,000 ($500,000 if married filing jointly) from the gains of your home sale.

If you do not meet the 3 tests mentioned, you may still get a Partial Maximum Exclusion of Gain. This would happen if you had to sell your home due to a change in place of employment (at least 50 miles away) of a qualified individual, the health of a qualified individual (to get a diagnosis and obtain treatment for yourself or family member), or unforseen circumstances (involuntary conversion of your home, natural or man-made disasters, events usch as death, unemployment, divorce or legal separation, and multiple births from the same pregnancy).

"Success usually comes to those who are too busy to be looking for it."
-HENRY DAVID THOREAU

Business or Busy-ness?

Meetings, Networking, Business Lunches, Conferences, Webinars- they all sound like legitimate business efforts. But take a look at which activities contribute to your business and which ones just keep you busy and away from the productive pursuits. Replace "Busy" with "Productive" and see what activities are hollow and no longer deserve the prominent position in your calendar. Busyness will easily dimish your focus and your ability to create true value for your company. It may be time to discard some of your busy activities for ones that actually pay off.

CKR Financial Services
Your Partner in All Things Business

CKR Financial Services
6540 South Pecos Road, Suite A-104 • Las Vegas, NV 89120 • (702) 463-0990