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If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

**SCHEDULE D  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Capital Gains and Losses**

▶ Attach to Form 1040 or Form 1040NR. ▶ See Instructions for Schedule D (Form 1040).  
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

**2006**

Attachment  
Sequence No. **12**

Name(s) shown on Form 1040

Your social security number

**Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less**

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2	Enter your short-term totals, if any, from Schedule D-1, line 2 . . . . .			2	
3	<b>Total short-term sales price amounts.</b> Add lines 1 and 2 in column (d) . . . . .			3	
4	Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				4
5	Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				5
6	Short-term capital loss carryover. Enter the amount, if any, from line 10 of your <b>Capital Loss Carryover Worksheet</b> on page D-7 of the instructions . . . . .				6 ( )
7	<b>Net short-term capital gain or (loss).</b> Combine lines 1 through 6 in column (f) . . . . .				7

**Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year**

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8					
9	Enter your long-term totals, if any, from Schedule D-1, line 9 . . . . .			9	
10	<b>Total long-term sales price amounts.</b> Add lines 8 and 9 in column (d) . . . . .			10	
11	Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				11
12	Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				12
13	Capital gain distributions. See page D-1 of the instructions . . . . .				13
14	Long-term capital loss carryover. Enter the amount, if any, from line 15 of your <b>Capital Loss Carryover Worksheet</b> on page D-7 of the instructions . . . . .				14 ( )
15	<b>Net long-term capital gain or (loss).</b> Combine lines 8 through 14 in column (f). Then go to Part III on the back . . . . .				15

**Part III Summary**

**16** Combine lines 7 and 15 and enter the result. If line 16 is a loss, skip lines 17 through 20, and go to line 21. If a gain, enter the gain on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below . . . . .

**16**

**17** Are lines 15 and 16 **both** gains?

- Yes.** Go to line 18.
- No.** Skip lines 18 through 21, and go to line 22.

**18** Enter the amount, if any, from line 7 of the **28% Rate Gain Worksheet** on page D-8 of the instructions . . . . . ▶

**18**

**19** Enter the amount, if any, from line 18 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-9 of the instructions . . . . . ▶

**19**

**20** Are lines 18 and 19 **both** zero or blank?

- Yes.** Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the **Qualified Dividends and Capital Gain Tax Worksheet** on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR). **Do not** complete lines 21 and 22 below.
- No.** Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the **Schedule D Tax Worksheet** on page D-10 of the instructions. **Do not** complete lines 21 and 22 below.

**21** If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the **smaller** of:

- The loss on line 16 or
- (\$3,000), or if married filing separately, (\$1,500) } . . . . .

**21** ( )

**Note.** When figuring which amount is smaller, treat both amounts as positive numbers.

**22** Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?

- Yes.** Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the **Qualified Dividends and Capital Gain Tax Worksheet** on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR).
- No.** Complete the rest of Form 1040 or Form 1040NR.

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# 2006 Instructions for Schedule D

## Draft Worksheets

### 2006 Instructions for Schedule D Draft Worksheets

These draft worksheets from the Instructions for Schedule D, for tax year 2006, are only available on the Internet. Since they are drafts, they are subject to change. If a worksheet is revised, it will be reposted only if there is a change in the computation. When the final version of the Instructions for Schedule D becomes available, these drafts will be removed.

The Capital Loss Carryover Worksheet is the worksheet to calculate the capital loss carryover for lines 6 and 14 of Schedule D.

The Schedule D Tax Worksheet is the worksheet to calculate the tax if line 18 or line 19 of Schedule D is more than zero.

**Comments and suggestions.** We welcome your comments about these worksheets.

You can write to us at the following address:

Internal Revenue Service  
Individual Forms and Publications  
Branch  
SE:W:CAR:MP:T:I  
1111 Constitution Ave. NW, IR-6406  
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at *\*taxforms@irs.gov*. (The asterisk must be included in the address.) Please put "Instructions Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Use this worksheet to figure your capital loss carryovers from 2005 to 2006 if your 2005 Schedule D, line 21, is a loss and (a) that loss is a smaller loss than the loss on your 2005 Schedule D, line 16, or (b) the amount on your 2005 Form 1040, line 41 (or your 2005 Form 1040NR, line 38, if applicable), reduced by any amount on your 2005 Form 8914, line 2, is less than zero. Otherwise, you do not have any carryovers.

1. Enter the amount from your 2005 Form 1040, line 41, or Form 1040NR, line 38. If a loss, enclose the amount in parentheses . . . . . 1. \_\_\_\_\_
2. Did you file Form 8914 (to claim an exemption amount for housing someone displaced by Hurricane Katrina) for 2005?  
 No. Enter -0-.  
 Yes. Enter the amount from your 2005 Form 8914, line 2 . . . . . 2. \_\_\_\_\_
3. Subtract line 2 from line 1. If the result is less than zero, enclose it in parentheses . . . . . 3. \_\_\_\_\_
4. Enter the loss from your 2005 Schedule D, line 21, as a positive amount . . . . . 4. \_\_\_\_\_
5. Combine lines 3 and 4. If zero or less, enter -0- . . . . . 5. \_\_\_\_\_
6. Enter the **smaller** of line 4 or line 5 . . . . . 6. \_\_\_\_\_  
**If line 7 of your 2005 Schedule D is a loss, go to line 7; otherwise, enter -0- on line 7 and go to line 11.**
7. Enter the loss from your 2005 Schedule D, line 7, as a positive amount . . . . . 7. \_\_\_\_\_
8. Enter any gain from your 2005 Schedule D, line 15. If a loss, enter -0- . . . . . 8. \_\_\_\_\_
9. Add lines 6 and 8. . . . . 9. \_\_\_\_\_
10. **Short-term capital loss carryover for 2006.** Subtract line 9 from line 7. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 6 . . . . . 10. \_\_\_\_\_  
**If line 15 of your 2005 Schedule D is a loss, go to line 11; otherwise, skip lines 11 through 15.**
11. Enter the loss from your 2005 Schedule D, line 15, as a positive amount . . . . . 11. \_\_\_\_\_
12. Enter any gain from your 2005 Schedule D, line 7. If a loss, enter -0- . . . . . 12. \_\_\_\_\_
13. Subtract line 7 from line 6. If zero or less, enter -0- . . . . . 13. \_\_\_\_\_
14. Add lines 12 and 13 . . . . . 14. \_\_\_\_\_
15. **Long-term capital loss carryover for 2006.** Subtract line 14 from line 11. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 14 . . . . . 15. \_\_\_\_\_



Complete this worksheet only if line 18 or line 19 of Schedule D is more than zero. Otherwise, complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR) to figure your tax.

**Exception:** Do not use the Qualified Dividends and Capital Gain Tax Worksheet or this worksheet to figure your tax if:

- Line 15 or line 16 of Schedule D is zero or less **and** you have no qualified dividends on Form 1040, line 9b (or Form 1040NR, line 10b); or
- Form 1040, line 43 (or Form 1040NR, line 40) is zero or less.

Instead, see the instructions for Form 1040, line 44 (or Form 1040NR, line 41).

1. Enter your taxable income from Form 1040, line 43 (or Form 1040NR, line 40) ..... 1. \_\_\_\_\_

2. Enter your qualified dividends from Form 1040, line 9b (or Form 1040NR, line 10b) ..... 2. \_\_\_\_\_

3. Enter the amount from Form 4952, line 4g ..... 3. \_\_\_\_\_

4. Enter the amount from Form 4952, line 4e\* ..... 4. \_\_\_\_\_

5. Subtract line 4 from line 3. If zero or less, enter -0- ..... 5. \_\_\_\_\_

6. Subtract line 5 from line 2. If zero or less, enter -0- ..... 6. \_\_\_\_\_

7. Enter the **smaller** of line 15 or line 16 of Schedule D ..... 7. \_\_\_\_\_

8. Enter the **smaller** of line 3 or line 4 ..... 8. \_\_\_\_\_

9. Subtract line 8 from line 7. If zero or less, enter -0- ..... 9. \_\_\_\_\_

10. Add lines 6 and 9 ..... 10. \_\_\_\_\_

11. Add lines 18 and 19 of Schedule D ..... 11. \_\_\_\_\_

12. Enter the **smaller** of line 9 or line 11 ..... 12. \_\_\_\_\_

13. Subtract line 12 from line 10 ..... 13. \_\_\_\_\_

14. Subtract line 13 from line 1. If zero or less, enter -0- ..... 14. \_\_\_\_\_

15. Enter the **smaller** of:

- The amount on line 1 or
- \$30,650 if single or married filing separately;
- \$61,300 if married filing jointly or qualifying widow(er); or
- \$41,050 if head of household

..... 15. \_\_\_\_\_

16. Enter the **smaller** of line 14 or line 15 ..... 16. \_\_\_\_\_

17. Subtract line 10 from line 1. If zero or less, enter -0- ..... 17. \_\_\_\_\_

18. Enter the **larger** of line 16 or line 17 ..... ► 18. \_\_\_\_\_

**If lines 15 and 16 are the same, skip lines 19 and 20 and go to line 21. Otherwise, go to line 19.**

19. Subtract line 16 from line 15 ..... ► 19. \_\_\_\_\_

20. Multiply line 19 by 5% (.05) ..... 20. \_\_\_\_\_

**If lines 1 and 15 are the same, skip lines 21 through 33 and go to line 34. Otherwise, go to line 21.**

21. Enter the **smaller** of line 1 or line 13 ..... 21. \_\_\_\_\_

22. Enter the amount from line 19 (if line 19 is blank, enter -0-) ..... 22. \_\_\_\_\_

23. Subtract line 22 from line 21. If zero or less, enter -0- ..... ► 23. \_\_\_\_\_

24. Multiply line 23 by 15% (.15) ..... 24. \_\_\_\_\_

**If Schedule D, line 19, is zero or blank, skip lines 25 through 30 and go to line 31. Otherwise, go to line 25.**

25. Enter the **smaller** of line 9 above or Schedule D, line 19 ..... 25. \_\_\_\_\_

26. Add lines 10 and 18 ..... 26. \_\_\_\_\_

27. Enter the amount from line 1 above ..... 27. \_\_\_\_\_

28. Subtract line 27 from line 26. If zero or less, enter -0- ..... 28. \_\_\_\_\_

29. Subtract line 28 from line 25. If zero or less, enter -0- ..... ► 29. \_\_\_\_\_

30. Multiply line 29 by 25% (.25) ..... 30. \_\_\_\_\_

**If Schedule D, line 18, is zero or blank, skip lines 31 through 33 and go to line 34. Otherwise, go to line 31.**

31. Add lines 18, 19, 23, and 29 ..... 31. \_\_\_\_\_

32. Subtract line 31 from line 1 ..... 32. \_\_\_\_\_

33. Multiply line 32 by 28% (.28) ..... 33. \_\_\_\_\_

34. Figure the tax on the amount on **line 18**. Use the Tax Table or Tax Computation Worksheet, whichever applies ..... 34. \_\_\_\_\_

35. Add lines 20, 24, 30, 33, and 34. .... 35. \_\_\_\_\_

36. Figure the tax on the amount on **line 1**. Use the Tax Table or Tax Computation Worksheet, whichever applies ..... 36. \_\_\_\_\_

37. **Tax on all taxable income (including capital gains and qualified dividends)**. Enter the **smaller** of line 35 or line 36. Also include this amount on Form 1040, line 44 (or Form 1040NR, line 41) ..... 37. \_\_\_\_\_

\*If applicable, enter instead the smaller amount you entered on the dotted line next to line 4e of Form 4952.