PRIME

TAX *LOSS* HARVESTING



If you have investments that are currently down in value, you may be able to turn those losses into a tax advantage. Tax loss harvesting involves selling underperforming investments to realize capital losses, which can then be used to offset gains from other investments. If your losses exceed your gains, you may also be able to reduce up to **$3,000** of ordinary income, with any remaining losses carried forward into future years.

This strategy can help you reduce your current tax liability while also giving you an opportunity to reassess and reposition your portfolio. It's most commonly used in taxable investment accounts and tends to be most valuable when you've already realized gains elsewhere.

QUALIFICATIONS

If you have investments in a taxable account that are currently down in value, this strategy can help turn those losses into a meaningful tax benefit—especially if you've realized gains elsewhere. Some things to consider:

- **Taxable Investment Losses:** You own stocks, ETFs, mutual funds, or other capital assets in a taxable account that have declined in value since purchase. Capital losses on personal-use property are generally not deductible.
- **Capital Gains or Income to Offset:** This strategy is generally most useful when you have capital gains to offset, though excess net capital losses may also reduce up to $3,000 of ordinary income per year, with additional losses carried forward to future years.
- **Wash Sale Awareness:** If you sell a security at a loss and acquire the same or substantially identical security within 30 days before or after the sale, the loss may be disallowed under the wash sale rule.
- **Documented Cost Basis:** You need accurate records showing acquisition date, purchase price, sale price, and holding period in order to properly calculate and report the loss.

IMPLEMENTATION

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.

- **Proper Tax Reporting:** Capital asset sales are generally reported on Form 8949 and Schedule D, subject to certain exceptions for transactions that can be aggregated directly from broker reporting.



HOW DOES THIS WORK?

Let's say you sold one investment earlier in the year for a **$20,000** capital gain, but you also own another investment that is down by **$12,000**.

If you sell that losing investment before year-end and the loss is allowable, the **$12,000** capital loss can offset part of the **$20,000** gain. That means you may only be taxed on **$8,000** of net capital gain instead of the full **$20,000**. If your losses exceed your gains, you may also be able to deduct up to **$3,000** against ordinary income and carry the rest forward.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
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