



# 2021 Instructions for Schedule D

## Capital Gains and Losses

These instructions explain how to complete Schedule D (Form 1040). Complete Form 8949 before you complete line 1b, 2, 3, 8b, 9, or 10 of Schedule D.

Use Schedule D:

- To figure the overall gain or loss from transactions reported on Form 8949;
- To report certain transactions you don't have to report on Form 8949;
- To report a gain from Form 2439 or 6252 or Part I of Form 4797;
- To report a gain or loss from Form 4684, 6781, or 8824;
- To report a gain or loss from a partnership, S corporation, estate, or trust;
- To report capital gain distributions not reported directly on Form 1040 or 1040-SR, line 7 (or effectively connected capital gain distributions not reported directly on Form 1040-NR, line 7); and
- To report a capital loss carryover from 2020 to 2021.

**Additional information.** See Pub. 544 and Pub. 550 for more details.

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Schedule D and its instructions, such as legislation enacted after they were published, go to [IRS.gov/ScheduleD](https://www.irs.gov/ScheduleD).

### What's New

**Rollover of gain from empowerment zone assets.** The election to roll over gain from the sale of empowerment zone assets doesn't apply to sales in tax years beginning after December 31, 2020.

## General Instructions

### Other Forms You May Have To File

Use Form 461 to figure your excess business loss.

Use Form 8949 to report the sale or exchange of a capital asset (defined later) not reported on another form or schedule and to report the income deferral or exclusion of capital gains. See the Instructions for Form 8949. Complete all necessary pages of Form 8949 before you complete line 1b, 2, 3, 8b, 9, or 10 of Schedule D. See [Lines 1a and 8a](#), later, for more information about when Form 8949 is needed and when it isn't.

Use Form 4797 to report the following.

1. The sale or exchange of:
  - a. Real property used in your trade or business;
  - b. Depreciable and amortizable tangible property used in your trade or business (but see *Disposition of Depreciable Property Not Used in Trade or Business* in the Form 4797 instructions);
  - c. Oil, gas, geothermal, or other mineral property; and
  - d. Section 126 property.
2. The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held more than 1 year for business or profit. But see *Disposition of Depreciable Property Not Used in Trade or Business* in the Form 4797 instructions.
3. The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.
4. Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.
5. Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.
6. Ordinary gain or loss on securities or commodities held in connection with your trading business, if you previ-

ously made a mark-to-market election. See [Traders in Securities](#), later.

Use Form 4684 to report involuntary conversions of property due to casualty or theft.

Use Form 6781 to report gains and losses from section 1256 contracts and straddles.

Use Form 8824 to report like-kind exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind.

Use Form 8960 to figure any net investment income tax relating to gains and losses reported on Schedule D, including gains and losses from a securities trading activity.

Use Form 8997 to report each QOF investment you held at the beginning and end of the tax year and the deferred gains associated with each investment. Also, use Form 8997 to report any capital gains you are deferring by investing in a QOF during the tax year and any QOF investment you disposed of during the tax year.

### Capital Asset

Most property you own and use for personal purposes or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets. A capital asset is any property owned by you except the following.

1. Stock in trade or other property included in inventory or held mainly for