MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M

GREAT SEAL 1889 STATE OF NORTH DAKOTA

ROLL NUMBER

DESCRIPTION

1052

2005 HOUSE FINANCE AND TAXATION

HB 1052

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1052**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **January 17, 2005**

Tape Number	Side A	Side B	Meter #
1	x		29.3

Committee Clerk Signature Janice Stein

Minutes:

REP. WES BELTER, CHAIRMAN Called the committee hearing to order.

REP. ANDY MARAGOS, DIST. 3, MINOT Introduced the bill. This bill was introduced to correct an inequity that was unintended, when we passed the bill to decouple the state income tax from the federal income tax. When we passed this bill, it came to our attention that when they set the deduction for capital gains, they set it far too low, which, unfortunately, contrary to the legislative intent of the bill, to hold it revenue neutral, we found out we literally raised taxes for many North Dakotans by 40%. This bill will correct that. The reason we are taking it down incremently, or raising the deduction by 5% per year, is that we did not want to create a situation with the projected revenue stream to the state of North Dakota. In order to get this back where it is supposed to be, is to take the deduction up in five percent increments per year.

REP. BELTER These people were hit for two years with increased capital gains tax?

REP. MARAGOS That is correct. What happened is some people were aware of it, but it did not come to my attention in the 2003 session, because the stock market went in the dumper, and nobody really had capital gains to worry about. When the stock market came back and the gains were starting to be reported, people were seeing that their taxes nearly doubled, or at least to about 38% to 40%, over what they were paying prior to the decoupling.

REP. DROVDAL Does this apply both to the short form and the long form tax return?

REP. MARAGOS I can't answer that question.

REP. DROVDAL When we passed the decoupling bill two sessions ago, one of our goals was to keep it revenue neutral, did we have a fiscal note showing this impact, or was it lost among the other technicalities in the bill?

REP. MARAGOS I believe it was one of those things that slipped through the cracks. I am not aware that there was any testimony from the tax department or from anybody else based on formula that they created. The calculations must not have been made as to what would happen with capital gains.

REP. CONRAD So we basically, had a six million dollar windfall, or maybe fifteen million?

REP. MARAGOS Deferred to the tax department as to what additional revenues were raised. The stock market was in the dumper the first time.

REP. CONRAD So we are just going back to fifty percent, before the decoupling?

REP. MARAGOS That is where I am told, by Legislative Council, we would have to be, in order to correct the inequity. If the deduction was fifty percent, that would have accomplished only the taxes to a revenue neutral point, for those paying capital gains.

SANDY CLARK, REPRESENTING THE NORTH DAKOTA FARM BUREAU Testified in support of the 27,000 members of the Farm Bureau. The Farm Bureau members believe that the federal capital gains tax should be repealed, and this attempt to work with capital gains on a state level is much appreciated. Farming and ranching is a capital intense industry which requires large investments and buildings and equipment, and on the average, farmers and ranchers own their land for over thirty years, and oftentimes, over that length of time, can increase in value five or six times. As a result of that increased value, the capital gains tax is devastating when they choose to sell their assets. Capital gains taxes are imposed when buildings, grain, and livestock are sold, and producers are often discouraged from upgrading their operations because of the impact of capital gains. Capital gains tax has also threatened the transfer of farmland between ag producers. The average farmer in North Dakota is fifty five, and a significant percentage is over sixty five, as they sell their land and buildings, the price of the land has increased, to offset these capital gains costs. These kinds of increases have a real effect on beginning farmers and ranchers, and those who are trying to expand their operations. It often results in farmland being sold for other uses. Capital gains tax has an impact on all businesses in North Dakota, not just agriculture.

JOSEPH BECKER, STATE TAX DEPARTMENT Answered questions from the committee.

REP. BELTER Asked Mr. Becker to explain how capital gains are taxed in North Dakota.

JOSEPH BECKER This bill will only affect form ND-1. Currently, any capital gain that goes into the federal tax return, will end up in federal taxable income on the state form ND-1. The current law allows a thirty percent exclusion, if it is a net long term capital gain. If we shift gears and go to the form ND-2, our optional method, the capital gains flows through that federal return again into that state return ND-2, but there is no tax break for capital gains. There is just taxed at the regular rates.

REP. BELTER Has it always been that way on the long form?

JOSEPH BECKER With respect to the form ND-2, which we know as the long form, that is correct.

REP. BELTER I think the federal level capital gains are taxed at ten percent?

JOSEPH BECKER For federal tax purposes, the rate you will pay will be capped, depending on the tax bracket you are in, I don't have those rates at the top of my head, there are seveeral of them.

REP. BELTER When you come to the state level, you are saying we are starting off with federal taxable income, so our capital gains increases, is included in our federal taxable income, so that's where we are getting hit?

JOSEPH BECKER Yes

REP. BELTER Under this bill, you would be taking that portion out?

JOSEPH BECKER Reviewed the former system prior to 2001 when we had the old short form, it was fourteen percent of the federal income tax before credits. What is important in that concept is that, when the federal government chose to set different rates for capital gains, lower tax rates, that was built into the federal tax number that came in as our base. In 2001, when we made a shift to the new system, now we went to federal taxable income as a starting point, we disconnected from the capital gain treatment at that point.

In the Senate Finance & Tax Committee, we brought to the committee's attention, a list of items that we disconnected from. One of them was the capital gains, which was near the top of the list because of the major change that was. That committee chose the thirty percent exclusion at that time, as a means to mitigate us disconnecting from the fourteen percent of federal rates on capital gains. We knew at the time, it was not going to be quite what they were getting under the former system. There is no way any one exclusion amount is going to equate to what they had before because the former system was always fourteen percent of the federal rates and it would float with that. A thirty percent exclusion, still leaves the balance of the income at the regular tax rate. The two concepts don't equate. Most people in higher tax brackets are paying more on their capital gains than they did on the former system, but even the thirty percent is still helping some in the lower bracket. The thirty percent is not equating to what they had before. There is no way on a per tax basis, that this approach can equate to what we had before. The higher exclusion will get them closer to what they had then.

REP. KELSH Do capital gains taxes apply to inherited property?

JOSEPH BECKER Capital gains generally apply to capital gains property, which can include businesses and farm properties, but there is another rule that will bring that back into the capital gain arena. Capital gains are usually the sale of non business assets, your home, cars, stocks, bonds, real estate. Business property can get into the realm of capital gains.

REP. KELSH Is there any kind of exemption for capital gains taxes for farm property or farmland which is inherited or passed down through the generations?

JOSEPH BECKER That may be a loaded question. If I inherit property and take it at its value at the time of inheritence, it will bring my basis up, it depends on how the property is passed. If I get it as a gift and go all the way back to the original donor, what they paid for it, I may have to pay a gain on it. If I purchase it outright, I pay a capital gain if the value goes up above what I paid. If I inherit it and turn right around and sell it, it is possible, I won't have a gain, because generally, I will take the value at the time of inheritence.

REP. KELSH If you inherit it and hang onto it, how does that capital gains tax rate apply?

JOSEPH BECKER If the property gains in value, that differential from the time you got it, would become a gain to you.

REP. CONRAD Did we get more than we anticipated in the last biennium?

JOSEPH BECKER Stated he would have to check with the fiscal analyst.

REP. BELTER Asked that Joseph Becker supply the information on the windfall to the state regarding the capital gain tax, also asked for a letter of explanation or chart which showed what happened, and if we pass this bill how it will change things, because of the amount involved here.

With no further testimony, the hearing was closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1052**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **January 18, 2005**

Tape Number	Side A	Side B	Meter #
1	X		4.9

Committee Clerk Signature

Minutes:

COMMITTEE ACTION

REP. BELTER stated he and Rep. Drovdal went to the Tax Department visiting with staff members relating to this bill. He stated he had the perception that the taxpayers would have to pay fifteen million dollars for the biennium. In visiting with the Tax Department, they found this was not the case. Those people who are paying capital gains, about 85% of those people actually got a cut in capital gains, under the decoupling bill during the 2001 session. there is about 15% of the people who ended up paying more. Those people were high income, high capital gains individuals. With capital gains, it may not necessarily be the same people every year.
Tax neutrality for the state, does not necessarily mean it is tax neutrality for every taxpayer in North Dakota, and that is what happened. He stated that most of this happened to people in Minot. No constituents called Rep. Belter in this regard.

Committee members questioned the large fiscal note.

RICK CLAYBURGH Appeared before the committee to answer any more questions they had regarding the fiscal note.

The committee was going to work on the bill at another time, after they have more information as to how the bill could be more revenue neutral.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1052**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **January 31, 2005**

Tape Number	Side A	Side B	Meter #
1		**X**	**16.5**

Committee Clerk Signature

Minutes:

COMMITTEE ACTION

REP. BELTER Reviewed the bill for committee members.

DONNITA WALD, STATE TAX DEPARTMENT Gave a background on the non resident issue of capital gains. A lot of the non residents were taking the 30% exclusion for long term capital gains, on gains they earned outside of North Dakota. Page 2, Line 1, fixes this.

REP. BRANDENBURG There is a fiscal impact, how does that work?

DONNITA WALD If you are a North Dakota resident, we tax all of your income, whether it is a gain or wages, whatever the source of your income is, if you are a non resident and live in Minnesota and own property in North Dakota, you sell that property, that is a North Dakota gain, because it is from North Dakota, if you are a Minnesota resident, you say you have some royalty income, but you also sell property in Minnesota and have a gain, they were taking 30% of all of that gain from Minnesota to reduce their North Dakota income.

JOSEPH BECKER, STATE TAX DEPARTMENT Gave some comments and answered committee members' questions.

Related to Rep. Brandenburg's question. The issue of non residents is an interesting one, the current law has illuminated a situation that was created in 1981, when the old short form was first created. Under that methodology, every taxpayer who benefited from the long term capital gain rate, federal level, whether you were a resident or nonresident, our base was affected by that, before we did anything. In 2001, when we disengaged from that system, neutrality was one of the things we were supposed to be adhering to, so we did not make the adjustment at that time. Now, in looking at the numbers, we are bringing it before the committee, maybe it is time to take care of that. No matter what level you set the exclusion rate at, right now it is 30%, you will have winners and losers because a flat rate will do that. It does not parallel what the federal government does. The only way to bring true neutrality per taxpayer, would be to create a system of calculating the tax just like the federal government. They have a schedule D which you have to use to report your capital gains, and their is a lengthy formula you have to run through to sift through all the tax rates, it works well, but is complicated and requires a schedule.

The bill will be acted on at a later date.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1052**

House Finance and Taxation Committee

❑ Conference Committee

Hearing Date **February 1, 2005**

Tape Number	Side A	Side B	Meter #
2	**X**		**24.8**

Committee Clerk Signature

Minutes:

COMMITTEE ACTION

REP. BELTER Presented amendments #50207.0101 to committee members.

REP. DROVDAL Made a motion to adopt the amendments as presented.

REP. WEILER Second the motion. Motion carried by voice vote.

DONNITA WALD, STATE TAX DEPARTMENT Stated that the amendment would take the fifteen million dollar figure back to zero on the fiscal note.

REP. DROVDAL Made a motion for a **do pass as amended.**

REP. IVERSON Second the motion. **MOTION CARRIED**

13 YES 0 NO 1 ABSENT

REP. DROVDAL Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council
02/08/2005

Amendment to: HB 1052

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Engrossed HB 1052 limits the exclusion for long-term capital gains for nonresidents to the portion of the gain that is attributable to North Dakota.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, Engrossed HB 1052 is expected to increase state general fund revenues by disallowing a deduction for capital gains not attributable to North Dakota sources. The amount of the potential increase cannot be determined.

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	02/09/2005

FISCAL NOTE

Requested by Legislative Council
12/17/2004

Bill/Resolution No.: HB 1052

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			($6,600,000)		($15,400,000)	
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1052 gradually increases the allowable exclusion from individuals' taxable income of net long term capital gains from the current level of 30%, increased to 50% by tax year 2008.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, HB 1052 is expected to decrease state general fund revenues by $6.6 million in the 2005-07 biennium, and by $15.4 million in the 2007-09 biennium.

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	01/03/2005

Date: 2-1-05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1052

House **FINANCE & TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as amended

Motion Made By Rep Drovdal Seconded By Rep. Iverson

Representatives	Yes	No	Representatives	Yes	No
BELTER, WES, CHAIRMAN	✓				
DROVDAL, DAVID, V-CHAIR	✓				
BRANDENBURG, MICHAEL	✓				
CONRAD, KARI	✓				
FROELICH, ROD	✓				
GRANDE, BETTE	A				
HEADLAND, CRAIG	✓				
IVERSON, RONALD	✓				
KELSH, SCOT	✓				
NICHOLAS, EUGENE	✓				
OWENS, MARK	✓				
SCHMIDT, ARLO	✓				
WEILER, DAVE	✓				
WRANGHAM, DWIGHT	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Drovdal

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1052, as amended, Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1052, as amended, was placed on the Sixth order on the calendar.

Page 1, line 22, remove the overstrike over "thirty percent" and remove "a percentage"

Page 2, line 1, replace "The percentage to be used for the reduction under this" with "The adjustment provided by this subdivision is allowed only to the extent the net long-term capital gain is allocated to this state."

Page 2, remove lines 2 through 9

Renumber accordingly

2005 SENATE FINANCE AND TAXATION

HB 1052

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1052**

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 14, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		0.6 - 13.0

Committee Clerk Signature Sharon Renfrow

Minutes:

CHAIRMAN URLACHER CALLED THE COMMITTEE TO ORDER AND OPENED THE HEARING ON HB 1052.

DONNITA WALD: Tax Dept. Appeared neutral and to explain the bill stating this bill as it was introduced in the House increased the deduction for capital gains. In the 2001 session what we did was we provided a 30% deduction, what HB 1052 did was increase would change that deduction percentage to 35% in 2005 up to 50% for taxable years beginning after 2007. We found that a lot of nonresidents were taking that 30% against all of their capital gains no matter where they were earned. Because we could not come up with a percentage deduction, the one thing that the House said they wanted to do was to make sure that nonresidents could only take that deduction to the extent that the gain was earned in ND, so that's what engrossed HB 1052 does.

SEN. URLACHER: does that affect the fiscal note in anyway.

ANSWER; reduces fiscal note substantially. It was 6.6 in the first biennium to 15.4 in the next biennium, but the engrossed bill has a slightly positive fiscal effect but we can't determine what that is.

REP. BELTER: appeared neutral and to give some background on what the House had done. Rep. Maragos brought to us was what he felt was an injustice to some tax payers. In the deliberation we did find was that when we decoupled and gone to the exclusion method of calculating capital gains that there is no doubt that there was possibly some people did get hurt negatively by our actions and obviously there were some people that got a tax reduction.

SEN. URLACHER: a fix meaning to neutralize as much as possible?

ANSWER; yes, to neutralize the original problem that Rep. Maragos brought forth in 1052. We just found that there was no simple way to make it neutral to every tax payer and probably the only thing that we might be able to do is if we would go to a separate calculation as he indicated.

JOE BECKER: Tax Dept. Appeared neutral and handed out income tax form entitled "Capital Gains & Losses". The problem we have today is if we were to adopt this method (Rep. Belter's suggestion in terms of a simple solution) today the capital gains rates have changed again at the federal level, but to maintain that neutrality coming out of the 2000 year we still have to lock in to those old rates, which means we'd have taxpayers going to a schedule D. Currently with the new federal rates for state purposes we'd have to start all over again, go through the schedule again with their situation but apply different rates for state purposes. The bottom line is there is a neutral solution, the question is how complicated do we want to make the tax return for the taxpayer.

SEN. WARDNER: do you have some returns where people from other states were using capital gains in other states using a calculation?

ANSWER: speaking to the bill in its present form which is really going to address nonresidents only. When we went to the federal tax liability as a starting point and then when the Federal Govt. Went with these lower capital gains rates, by default we went along with that. Because the lower capital gains rate lowered our tax base, the federal tax liability and then we just simply took 14% of that end result, so whether you were a resident or nonresident you got the benefit of those capital gains rates. So for 20 years from 1981 up to 2001, those nonresidents they had no capital gains in this state at all weren't getting a benefit and our tax base was lower because of that system we were under. When we adopted the new system in 2001 in the spirit of neutrality that that session wanted, we maintained that feature and this bill is now going to change that and say no, we think that you can have the exclusion only if the gain is in this state.

SEN. WARDNER: I think the way the bill is now, its a good bill.

SEN. URLACHER: Rep. Maragos called me and requested that we keep the hearing open for his comments for tomorrow.

Closed the hearing.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1052**

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 15, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		0.5 - 2.5

Committee Clerk Signature

Minutes: **COMMITTEE WORK**

SEN. URLACHER: I spoke with Rep. Maragos who said he wasn't going to take our time, he was a little disappointed, he thought the Tax Dept. Should have made some moves to neutralize it but so be it.

SEN. COOK: made a **MOTION FOR DO PASS**, seconded by Sen. Wardner.

No further discussion.

ROLL CALL VOTE: 4-1-1 Sen. Wardner will carry the bill

SEN. BERCIER: I'd like to change my vote. **VOTE:** 5-0-1

Date: 3-15-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *HB* 1052

Senate **Finance and Taxation** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass

Motion Made By Cook Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Bercier	✓	
Sen. Wardner	✓		Sen. Every	✓	
Sen. Cook	✓				
Sen. Tollefson					

Total (Yes) 5 No 0

Absent 1

Floor Assignment Wardner

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1052, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **DO PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1052 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

HB 1052

SCHEDULE D (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Capital Gains and Losses

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

▶ Use Schedule D-1 for more space to list transactions for lines 1 and 8.

OMB No. 1545-0074

2000

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)	(e) Cost or other basis (see page D-6)	(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	**Total short-term sales price amounts.** Add column (d) of lines 1 and 2 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 8 of your 1999 Capital Loss Carryover Worksheet 6					( )
7	**Net short-term capital gain or (loss).** Combine column (f) of lines 1 through 6 ▶ 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)	(e) Cost or other basis (see page D-6)	(f) Gain or (loss) Subtract (e) from (d)	(g) 28% rate gain or (loss) * (see instr. below)
8							
9	Enter your long-term totals, if any, from Schedule D-1, line 9 9						
10	**Total long-term sales price amounts.** Add column (d) of lines 8 and 9 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 13						
14	Long-term capital loss carryover. Enter in both columns (f) and (g) the amount, if any, from line 13 of your 1999 Capital Loss Carryover Worksheet 14					( )	( )
15	Combine column (g) of lines 8 through 14 15						
16	**Net long-term capital gain or (loss).** Combine column (f) of lines 8 through 14 ▶ 16 **Next:** Go to Part III on the back.						

*__28% rate gain or loss__ includes __all__ "collectibles gains and losses" (as defined on page D-6) and up to 50% of the eligible gain on qualified small business stock (see page D-4).

Part III Summary of Parts I and II

17 Combine lines 7 and 16. If a loss, go to line 18. If a gain, enter the gain on Form 1040, line 13 . . . 17

Next: Complete Form 1040 through line 39. Then, go to **Part IV** to figure your tax if:
- Both lines 16 and 17 are gains **and**
- Form 1040, line 39, is more than zero.

Otherwise, **stop here.**

18 If line 17 is a loss, enter here and as a (loss) on Form 1040, line 13, the **smaller** of these losses:
- The loss on line 17 **or**
- ($3,000) or, if married filing separately, ($1,500) . . . 18 ( )

Next: Skip **Part IV** below. Instead, complete Form 1040 through line 37. Then, complete the **Capital Loss Carryover Worksheet** on page D-6 if:
- The loss on line 17 exceeds the loss on line 18 **or**
- Form 1040, line 37, is a loss.

Part IV Tax Computation Using Maximum Capital Gains Rates

19 Enter your taxable income from Form 1040, line 39 . . . 19

20 Enter the **smaller** of line 16 or line 17 of Schedule D . . . 20

21 If you are filing Form 4952, enter the amount from Form 4952, line 4e 21

22 Subtract line 21 from line 20. If zero or less, enter -0- . . . 22

23 Combine lines 7 and 15. If zero or less, enter -0- . . . 23

24 Enter the **smaller** of line 15 or line 23, but not less than zero . . . 24

25 Enter your unrecaptured section 1250 gain, if any, from line 17 of the worksheet on page D-8 . . . 25

26 Add lines 24 and 25 . . . 26

27 Subtract line 26 from line 22. If zero or less, enter -0- . . . 27

28 Subtract line 27 from line 19. If zero or less, enter -0- . . . 28

29 Enter the **smaller** of:
- The amount on line 19 **or**
- $26,250 if single; $43,850 if married filing jointly or qualifying widow(er); $21,925 if married filing separately; or $35,150 if head of household . . . 29

30 Enter the **smaller** of line 28 or line 29 . . . 30

31 Subtract line 22 from line 19. If zero or less, enter -0- . . . 31

32 Enter the **larger** of line 30 or line 31 . . . ▶ 32

33 Figure the tax on the amount on line 32. Use the Tax Table or Tax Rate Schedules, whichever applies 33

Note. If the amounts on lines 29 and 30 are the same, skip lines 34 through 37 and go to line 38.

34 Enter the amount from line 29 . . . 34

35 Enter the amount from line 30 . . . 35

36 Subtract line 35 from line 34 . . . ▶ 36

37 Multiply line 36 by 10% (.10) . . . 37

Note. If the amounts on lines 19 and 29 are the same, skip lines 38 through 51 and go to line 52.

38 Enter the **smaller** of line 19 or line 27 . . . 38

39 Enter the amount from line 36 . . . 39

40 Subtract line 39 from line 38 . . . ▶ 40

41 Multiply line 40 by 20% (.20) . . . 41

Note. If line 26 is zero or blank, skip lines 42 through 51 and go to line 52.

42 Enter the **smaller** of line 22 or line 25 . . . 42

43 Add lines 22 and 32 . . . 43

44 Enter the amount from line 19 . . . 44

45 Subtract line 44 from line 43. If zero or less, enter -0- . . . 45

46 Subtract line 45 from line 42. If zero or less, enter -0- . . . ▶ 46

47 Multiply line 46 by 25% (.25) . . . 47

Note. If line 24 is zero or blank, skip lines 48 through 51 and go to line 52.

48 Enter the amount from line 19 . . . 48

49 Add lines 32, 36, 40, and 46 . . . 49

50 Subtract line 49 from line 48 . . . 50

51 Multiply line 50 by 28% (.28) . . . 51

52 Add lines 33, 37, 41, 47, and 51 . . . 52

53 Figure the tax on the amount on line 19. Use the Tax Table or Tax Rate Schedules, whichever applies 53

54 **Tax on all taxable income (including capital gains).** Enter the **smaller** of line 52 or line 53 here and on Form 1040, line 40 . . . 54