**BizBoost News**

**Volume 11, Issue 7**

**For distribution 9/20/21; publication 9/23/21**

**What the Heck Is a Wash Sale?**

Investing has become much more accessible since Robinhood became a thing. But do you know what a wash sale is and how it will impact your tax return?

You have a stock, it dips, and you sell it thinking “Hey, I can use this loss on my tax return AND buy XYZ back at a lower price!” Sorry, but this is what creates a “wash sale,” and IRS does not allow the deduction of the loss in this type of scenario. The IRS defines a wash sale as selling a stock or security at a loss and within 30 days before or after the sale –

* You buy a substantially identical stock or security
* You acquire substantially identical stock or securities in a fully taxable trade
* You acquire a contract or option to buy substantially identical stock or securities

Interestingly, there are no specific IRS guidelines explaining what substantially identical means.

Notice that the window for the wash sale is 30 days before or after the sale that created the loss was made. And if you think you can have your spouse buy the substantially identical stock so you can claim the loss, forget it – that is not allowed either.

So, what does a wash sale look like?

*You buy 100 shares of X stock for $1,000. You sell these shares for $750 and within 30 days from the sale you buy 100 shares of the same stock for $800. Because you bought substantially identical stock, you cannot deduct your loss of $250 on the sale. However, you add the disallowed loss of $250 to the cost of the new stock, $800, to obtain your basis in the new stock, which is $1,050.*

So why did the IRS make the wash sale rule? Basically, it is intended to stop taxpayers from creating a convenient or artificial loss. You will not completely lose the loss; it will just be added to the basis of the new stock.

\*\*\*

**Tweets**

Insert a link to your newsletter, web site or blog before you post these:

Our latest blog: “What the Heck is a Wash Sale?” is available now! Subscribe here: [link]

Investing has become much more accessible since Robinhood became a thing. But do you know what a wash sale is and how it will impact your tax return? Learn more in our latest blog article: [link]

What the heck is a wash sale? If you’re asking this question, check out our latest blog article, where we explain a what a wash sale is and how it could impact your tax return. Get instant access here: [link]

The IRS defines a wash sale as selling a stock or security at a loss and within 30 days before or after the sale you:

* buy a substantially identical stock or security
* acquire substantially identical stock or securities in a fully taxable trade
* acquire a contract or option to buy substantially identical stock or securities

Learn more about wash sales here: [link]

Why did the IRS make the wash sale rule? Basically, it is intended to stop taxpayers from creating a convenient or artificial loss. You will not completely lose the loss; it will just be added to the basis of the new stock. Learn more about the wash sale rule here: [link]

The window for a wash sale is 30 days before or after the sale that created the loss was made. And if you think you can have your spouse buy the substantially identical stock so you can claim the loss, forget it – that is not allowed either. So, what does a wash sale look like? Find out more here: [link]

You have a stock, it dips, and you sell it thinking “Hey, I can use this loss on my tax return AND buy XYZ back at a lower price!” Sorry, but this is what creates a “wash sale,” and IRS does not allow the deduction of the loss in this type of scenario. Learn more about wash sales in our latest blog article: [link] Find out more here!

Now that investing has become easier with platforms like Robinhood, it is important to understand the terminology and rules of the investing world. For example, do you know what a wash sale is? Learn all about wash sales in our latest blog article. Sign up for our newsletter for instant access: [link]