

Tax Tip

Week of December 6, 2010

Superficial Loss Rules

If an individual sells a stock and within 30 days an identical stock is purchased by either the individual or the spouse, the loss is denied. The capital loss that cannot be claimed is added to the cost of the new stock purchase, so eventually the taxpayer can realize the loss. Most taxpayers are aware of these rules and for the most part do not restrict a family's taxpayer tax planning strategies. These rules can be utilized to transfer losses between spouses

These rules also apply if an individual sold shares at a loss and similar shares were purchased within 30 days by an individual's Tax Free Savings Account. In such cases, the individual would not be able to claim a capital loss on the original sale.