# Corporate capital gains and losses

The treatment of capital gains and losses for corporations is different from the treatment of such items for individual taxpayers in several important ways. In particular, as discussed more fully below, there is no favorable treatment for corporate long-term capital gains. Also, there is no deduction (not even up to $3,000) for capital losses that exceed capital gains. Be sure to consider the tax rules described below when planning your corporation's capital gain and loss transactions.

**Capital losses.** Just as with individuals, a corporation's capital losses are first “netted” or offset against the company's capital gains. However, if *an individual* has losses in excess of gains, he can deduct up to $3,000 of the excess losses against other income. A *corporation,* on the other hand, cannot deduct any capital losses in excess of capital gains. That is, the $3,000 loss allowance is not available for corporations.

The “carryover” rules are different and more limited for corporations as well. An individual carries excess capital losses forward only, but indefinitely. A corporation carries its excess capital losses backward or forward, but for limited time periods: backward only up to three years, and forward only up to five years. Any capital loss not used within the three or five year period is forfeited. Be careful, therefore, not to let capital losses expire: cash-in any capital gains you can in the last year to take advantage of the losses.

The corporation cannot pick and choose the year to which to carry the losses. The losses must be used in the earliest year they can be used, i.e., in the earliest year in which there are net capital gains against which the losses can be offset. (Note, however, that a corporation's capital losses cannot be carried back to a year in which they would increase or produce a net operating loss). If capital losses from more than one year are being carried to other years, the earlier year losses are used first.