

Business Losses & Capital Losses

Business losses are the best kind of the three. This is your income minus your expenses from your business and they are ordinary losses. You can increase the losses by depreciating assets you are using in your business. If you are just starting a new business you can still deduct a loss even if you didn't have any income. If one spouse has a business loss on his or her schedule C, that can be used to offset other "ordinary income" - such as wages of the other spouse, or interest and dividend income. If that's all you have- a business loss- you may be able to carry it back 2 years and forward 20 years to offset income of another tax year! Call us to review your others year's tax returns so we can get the greatest tax benefit from the carryover.

Capital losses are those usually from the sale of stocks. We know everyone has experienced those in the past 12 months (don't forget you don't have a tax loss ("recognized loss") unless you sell!) Capital losses from stock sales can be used to offset other capital gains and capital gain dividends. So if you are thinking of selling, see if you have other property with a big capital gain attached to it- such as property that has been depreciated (but you will have to recapture the depreciation and pay tax at a higher rate on that portion of the gain) or property that was gifted to you.