Capital markets tax preparation

The 2026 Capital Gains Tax Checklist

Stocks, Options, Equity Compensation & Digital Assets

The intake framework we run on paid engagements, in the order it should be worked. A gain is a gain — whether it came from a brokerage account, an option exercise, or a wallet, it lands on the same Schedule D. Work the sections in sequence: scope, then documents, then character, then basis. Most costly errors are made before anyone opens a tax form.

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1 · Scope the year before you gather anything

Missing an account is the single most common cause of an amended return. Inventory first, documents second.

- Every taxable brokerage account — including accounts you closed or transferred mid-year, and any held jointly.
- Every retirement account, listed separately. Trades inside an IRA or 401(k) generate no capital gain, but a purchase inside one can still disallow a loss outside it.
- Every equity-compensation portal: RSU, ISO, NSO, ESPP, SARs, and any private company holdings.
- Every exchange, self-custody wallet, chain, DeFi protocol, bridge, and payment app that touched a digital asset.
- Every partnership, fund, syndicate, or private placement that will issue a Schedule K-1 — note which are on extension.
- Direct stock plans, DRIPs, employee purchase plans, and transfer-agent accounts that never appear on a broker statement.
- Any account held at a non-U.S. broker or exchange — these carry separate FBAR and Form 8938 questions.

2 · Gather the documents that actually control the number

- Consolidated Form 1099 from each broker, **including the realized gain/loss supplement** — the supplement, not the 1099-B summary, is where lot detail lives.
- Form 1099-DA for digital assets. Reconcile it; do not assume it is right, particularly for transfers between your own wallets.
- Form 3922 (ESPP transfers) and Form 3921 (ISO exercises).
- Your W-2, with box 12 and box 14 codes read against each equity-comp event.
- Every Schedule K-1, **with the footnotes** — §1256 income, portfolio interest, and unrecaptured §1250 gain hide there.
- Prior-year Form 8949, Schedule D, Form 6781, and the capital-loss carryover worksheet.
- Full CSV exports from every exchange plus every wallet address, so on-chain activity can be reconstructed independently.
- Written confirmation of the cost-basis method on file with each broker.

3 · Fix holding period and character first

Character is decided before planning. Get it wrong and every later step compounds the error.

- Confirm short- versus long-term on every lot: **more than one year**, counting from the day after acquisition.
- Long-term gains run 0% / 15% / 20% by bracket, plus the 3.8% net investment income tax where it applies.

- Flag anything that may be a collectible, taxed up to 28%. The treatment of some NFTs remains unresolved — document your position.
- Identify §1256 contracts (regulated futures, broad-based index options). These are marked to market at year end and split 60% long / 40% short regardless of holding period.
- Confirm equity options are treated correctly — single-stock options are generally *not* §1256.
- Check the qualified-dividend holding period separately; it is not the same test as long-term capital gain.
- Watch for constructive sales, short-against-the-box positions, and straddles that suspend or re-characterise a loss.

4 · Get basis and lot selection right

Basis errors are the most expensive line on a return, and the easiest to prevent.

- Specific identification requires instruction to the broker **at or before settlement**, confirmed in writing. A spreadsheet built in April is not an election.
- With no election, FIFO applies. Know which one you actually used.
- Digital assets require basis tracked **per wallet or account**, not pooled across everything. If you relied on a universal pool previously, review the Rev. Proc. 2024-28 allocation safe harbour.
- Separate covered from non-covered securities. For non-covered lots the broker reports proceeds only — basis is on you.
- Adjust basis for reinvested dividends, stock splits, spin-offs, return of capital, and previously disallowed wash-sale losses.
- **For equity comp, confirm basis includes the compensation income already taxed on your W-2.** Brokers frequently report the discounted basis instead, which taxes the same dollars twice.
- Reconstruct basis for inherited lots (date-of-death value) and gifted lots (carryover basis, with the dual-basis loss rule).

5 · Apply the wash-sale rules deliberately

- The window is 30 days **before and after** the sale — 61 days in total — for substantially identical securities.
- It applies across all of your accounts, and your spouse's. A replacement purchase inside an IRA disallows the loss **permanently**, with no basis adjustment to recover it.
- A disallowed loss is added to the basis of the replacement lot; it is deferred, not destroyed — unless the replacement sits in a retirement account.
- Options and convertible positions can be substantially identical to the underlying. Check them.
- The rule currently reaches securities, not digital assets. Do not build a long-term strategy on that continuing, and document the trades either way.
- Reconcile broker wash-sale adjustments across **different** brokers — no broker can see the other side.

6 · Work the digital-asset positions on their own terms

Every disposition is an event. The question is always character and timing.

- Treat sells, swaps, token-to-token trades, and spending crypto on goods as dispositions. Bridging and wrapping are facts-specific — take a position and paper it.
- Staking and restaking rewards are ordinary income when you gain dominion and control (Rev. Rul. 2023-14), with basis set at that value.
- Mining is ordinary income at receipt, and may carry self-employment tax.

- Airdrops and hard forks are ordinary income on receipt where you have dominion and control (Rev. Rul. 2019-24).
- Reconcile internal transfers between your own wallets so they are not counted as sales — the most common source of a phantom gain.
- Reconstruct DeFi liquidity-pool entries and exits, lending, and liquidations individually. Aggregated tool output rarely survives review.
- Answer the digital-asset question on page 1 of Form 1040 accurately.
- If prior years used wrong basis, price the remediation before filing another year on the same foundation.

7 · Losses, carryforwards, and the year-end window

- Net capital losses offset capital gains in full, then up to $3,000 of ordinary income ($1,500 if married filing separately).
- Unused losses carry forward indefinitely and keep their short- or long-term character. Pull the carryover schedule forward every year.
- Harvest on trade date, not settlement date, and leave room before 31 December.
- Consider worthless securities and §1244 ordinary-loss treatment for qualifying small business stock.
- Check whether harvesting a loss would strand you in a wash sale that undoes it.
- Gain harvesting is the mirror image: realising long-term gain inside the 0% bracket can reset basis at no federal cost.

8 · Plan the rate, not just the return

This is the part that has to happen before you sell.

- Model the 3.8% net investment income tax against the $200,000 / $250,000 thresholds — they are not indexed.
- Sequence dispositions across tax years rather than clustering them into one.
- Gift appreciated long-term stock to charity instead of cash: no gain realised, and generally a fair-market-value deduction. A donor-advised fund can bunch several years into one.
- Test installment treatment where a sale is genuinely deferred-payment.
- Review §1202 QSBS eligibility **before** a sale: original issue, C-corp, five-year holding, gross-assets test, and the per-issuer exclusion cap.
- For ISOs, model the AMT consequence of exercising and holding versus a disqualifying disposition — and remember the dual basis that follows.
- Coordinate equities and digital assets together. Losses in one asset class offset gains in the other; treating them as separate returns wastes them.

9 · State treatment — usually the forgotten half

- Most states tax capital gains as ordinary income with no preferential rate. The federal 15% or 20% is only part of the bill.
- Fix residency for the year, and allocate correctly for a part-year move. Selling after a move does not automatically move the gain.
- New York and California scrutinise change-of-residency years closely. Keep contemporaneous evidence, not a retrospective narrative.
- Washington imposes a separate excise tax on certain long-term capital gains above an annual threshold.
- Check for trailing nexus, source rules on the sale of a business interest, and any state add-back of federal preferences.

10 · Pay it and file it correctly

- Check an estimated-tax safe harbour: generally 90% of the current year or 100% of the prior year (110% above the higher-income threshold).
- RSU withholding at the 22% supplemental rate under-withholds many taxpayers. Close the gap with an estimate or extra W-2 withholding, not in April.
- File Form 8949 and Schedule D with lot-level detail; add Form 6781 for §1256 positions.
- Add FinCEN Form 114 (FBAR) and Form 8938 where non-U.S. accounts or exchanges cross the thresholds.
- Keep workpapers that cite authority for each position taken. If the return is questioned, the defence should already be in the file.
- If a prior year used wrong basis, amend deliberately rather than hoping the mismatch is never picked up.

If any section above took more than a minute to answer, that is the conversation.

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This checklist is general information, current to the 2026 filing season. It is not tax advice, and it does not create a client relationship. Thresholds and rates change, and the right answer depends on your specific facts. Confirm the figures for your filing year before acting.