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KPMG report: A primer on wash sale reporting in a volatile market (updated September 2022)

Market volatility can create opportunities for traders but it can also be a source of angst. And this is true in the world of tax as in the wider world. Amidst talk of recession and stock prices that have fluctuated wildly over the last year, investors in stocks or securities have much to be vexed about. As the year winds toward its final quarter, investors that may be thinking about taking losses for tax purposes (or reading advice on ''loss harvesting'') may need to also consider some of the tax imponderables that come with loss sales—most particularly the possibility of triggering tax wash sale rules. Opportunity and angst.

Under U.S. tax rules, investors that sell stock or securities at a loss and then repurchase substantially identical stock or securities close to the sale may be denied the loss for tax purposes. Tax loss harvesting could inadvertently trigger wash sales because the wash sale rules are not always intuitive. A ''repurchase,'' for example, can occur *before* the sale. Also, a wash sale could occur when there is a sale in one account and a purchase in a separate account that the taxpayer may be maintaining for completely different reasons.

More, for unwary investors, the complexity of the wash sales is also accentuated by the fact that information that brokers are required to report may be different from what investors need when determining whether they have run afoul of the rules. Born under recession era policy, both wash sale rules and wash sale reporting issues will likely rise in prominence again as investors face a volatile market. But what are the rules, and how can investors avoid inadvertently subjecting themselves to the effect of these rules?

Read a **September 2022 report*** [PDF 233 KB] prepared KPMG LLP tax professionals (originally published as ***TaxNewsFlash*** in July 2022)

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