



CONSTRUCTIVE SALE

DEFINITION

APPLICATION

Short Constructive Sale

The taxpayer shorts a single share of stock ABC on January 3rd of 2011 for \$100.

On February 15th, the taxpayer buys (long) one share of stock ABC at \$80.

Both positions remain open as of January 30, 2012.

Short Constructive Sale

01/03/2011	ABC	-1.00
	Short Sell	-100
02/15/2011	ABC	1.00
	Buy	80

The taxpayer recognizes a short-term capital gain of \$20 achieved on February 15th due to a constructive sale created on that date.

The tax basis of the January 3rd short is adjusted to \$80.

This configuration also forms a straddle.

means with respect to any Common Equivalent Securities:

- (i) a short sale of such Common Equivalent Securities
- (ii) entering into or acquiring a derivative contract with respect to such Common Equivalent Securities
- (iii) entering into or acquiring a futures or forward contract to deliver such Common Equivalent Securities
- (iv) entering into any hedging or other derivative transaction that has the effect of either directly or indirectly materially changing the economic benefits or risk of owning such Common Equivalent Securities