

Long-Term Capital Gain Treatment for Fiscal Year 1997–98 Individuals, Estates, Partnerships, and S Corporations

Announcement 99–11

The Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105–206) amended section 1(h) of the Internal Revenue Code to modify the holding period for certain long-term capital gains. For sales, exchanges, etc., after December 31, 1997, property held more than 1 year (instead of more than 18 months) generally is eligible for the 10%, 20%, and 25% capital gains rates. The 28% rate will now apply only to the pre-1998 gains, collectibles gains, and part or all of the gain from the sale or exchange of qualified small business stock.

The 1997 Schedules D and instructions used by 1997-98 fiscal year filers do not reflect the modified holding period for certain long-term capital gains. Therefore, fiscal year filers of the 1997 Schedule D for Forms 1040, 1041, 1065, and 1120S (individuals, estates, partnerships, and S corporations) should prepare that schedule as if the second bulleted item in the footnote following Part II of Schedule D were:

- **After July 28, 1997, and before January 1, 1998**, for assets held more than 1 year but **not** more than 18 months.

Instead of:

- **After** July 28, 1997, for assets held more than 1 year but **not** more than 18 months.

Fiscal year filers who have already filed a 1997–98 fiscal year return may need to file an amended return for that year to reflect this change in law.