

## Reporting the Sale of a Personal Item at a Loss

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1. Reporting the Sale of a Personal Item at a Loss
  - a. Example. Sold an item for \$1,000; Cost \$1,200; Loss of \$200
  - b. Two ways of reporting:
    - 1) Schedule 1
    - 2) Form 8949
  - c. Schedule 1
    - 1) The gain on the sale of a personal item might be reported on a Form 1099, and the loss on the sale is not deductible. If taxpayers receives a 1099 for the sale of a personal item that resulted in a loss, they should make offsetting entries on Schedule 1 of Form 1040, as follows: Report the proceeds (the Form 1099 amount) on Part I – Line 8z – Other Income, using the description "Form 1099 Personal Item Sold at a Loss.
    - 2) "Report the costs, up to but not more than the proceeds amount (the Form 1099 amount), on Part II – Line 24z – Other Adjustments, using the description "Form 1099 Personal Item Sold at a Loss."
  - d. Form 8949
    - 1) Taxpayers can also use Form 8949 and Schedule D to report the sale of a personal item at a loss instead of Schedule 1 if they wish, for example, because they have other transactions that require them to file Form 8949 and Schedule D anyway.
    - 2) Because the loss is not deductible, they should enter an adjustment when reporting the proceeds and basis of the personal item on Form 8949. Enter "L" in column (f) as the code explaining the loss is nondeductible. Then they should enter the amount of the nondeductible loss as a positive number in column (g).

e. Frequently Asked Questions

- 1) Q6. If I receive multiple Forms 1099 that report proceeds from the sale of personal items sold at a loss or Forms 1099 received in error, do I need to identify the issuer and the amounts separately for each or can I combine them all into one item on the Schedule 1, Additional Income and Adjustments to Income, for entry on Lines 8z, Other Income, and 24z, Other Adjustments? (added March 22, 2023)
  - a) You may report offsetting entries on Schedule 1, lines 8z and 24z for each Form 1099-K you received separately, or you may combine the Forms 1099-K received as follows:
    - (1) One combined set of offsetting entries on Schedule 1 for all Forms 1099-K received reporting sales of personal items sold at a loss. Report the combined total of the proceeds on Schedule 1 – Line 8z – Other Income, using the description “Forms 1099-K Personal Items Sold at a Loss.” Report the combined cost of the items, up to but not more than the proceeds of each item sold, on Line 24z – Other Adjustments, using the description “Forms 1099-K Personal Items Sold at a Loss.”
    - b) One combined set of offsetting entries on Schedule 1 for all Forms 1099-K received in error. Report the combined amounts from Line 1a, Gross amount of payment card/third party network transactions, for the Forms 1099-K received in error on Schedule 1 – Line 8z – Other Income, using the description “Forms 1099-K Received in Error.” Report the same amount reported on Line 8z on Line 24z – Other Adjustments, using the description “Forms 1099-K Received in Error.”
- 2) Q7. I received a Form 1099-K in error and could not get a corrected form in time to file my taxes. The tax software I use put the gross proceeds amount as a positive and the offsetting amount as a negative on Schedule 1, line 8z. This is different from instructions that say to input the offsetting amount on Schedule 1, line 24z. Is alternative reporting okay? (added March 22, 2023)
  - a) A7. Yes. For tax year 2022 you may use Schedule 1, line 8z to show both the gross proceeds and the offsetting negative amount to report a Form 1099-K received in error or report proceeds from the sale of a personal item at a loss as an alternative to reporting only gross proceeds on Schedule 1, line 8z with offsetting amounts on Schedule 1, line 24z.

- b) Note: When reporting sales of personal items at a loss you may instead report the transaction(s) on Form 8949, Sales and Other Dispositions of Capital Assets, which carries to Schedule D, Capital Gains and Losses.