**8557. Is there a limitation to the amount of capital losses a taxpayer may deduct in a tax year? How are disallowed capital losses treated?**

Unlike ordinary losses that are deductible against any type of income (ordinary or capital), capital losses are deductible against capital gains (long and short-term). However, a noncorporate taxpayer who has capital losses in excess of capital gains is entitled to deduct from ordinary income the lesser of (a) $3,000 ($1,500 for married taxpayers filing separately) or (b) the excess of the taxpayer’s net capital losses over gains.[[1]](#footnote-1) Any nondeductible losses may be carried forward indefinitely to subsequent tax years. Losses that are carried forward retain their character as either short-term or long-term in future years.

Conversely, corporations are only permitted to recognize capital losses to the extent of capital gains with no exception.[[2]](#footnote-2) However, unlike noncorporate taxpayers who must carry forward nondeductible losses to subsequent tax years, corporations may carry disallowed capital losses *back* for three tax years (beginning with the earliest of the three) with any remaining nondeductible capital losses to be carried forward for five successive tax years (beginning with the earliest of the five).[[3]](#footnote-3)

1. . IRC Sec. 1211(b). [↑](#footnote-ref-1)
2. . IRC Sec. 1211(a). [↑](#footnote-ref-2)
3. . IRC Sec. 1212(a). [↑](#footnote-ref-3)