

**Gains and Losses From Section 1256  
 Contracts and Straddles**

▶ See Instructions on back.  
 ▶ Attach to your tax return.

Name(s) shown on tax return	Identifying number
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- A.  Check here if you made the mixed straddle election under section 1256(d) this year or an earlier year.
- B.  Check here if you made the straddle-by-straddle identification election under section 1092(b).
- C.  Check here to make the mixed straddle account election under section 1092(b).
- D.  Check here if you elect to carry back a net section 1256 contracts loss.

**Part I Section 1256 Contracts Marked to Market**

a. Identification of account	b. LOSS	c. GAIN
1		
2 Add column b and column c, line 1 . . . . .	( )	
3 Combine columns b and c of line 2 and enter the net gain or (loss) . . . . .		
4 Form 1099-B adjustments (see instructions, attach schedule) . . . . .		
5 Combine lines 3 and 4. (If a net gain, skip line 6 and enter the gain on line 7.) . . . . .		
6 If you have a net section 1256 contracts loss and checked box D, enter the amount to be carried back		
7 Reduce line 5 by line 6 and enter the difference here. Partnerships and S Corporations see instructions . . . . .		
8 Multiply line 7 by 40%. Enter as a short-term capital gain or (loss) on Schedule D. Identify as Form 6781, Part I		
9 Multiply line 7 by 60%. Enter as a long-term capital gain or (loss) on Schedule D. Identify as Form 6781, Part I		

**Part II Gains and Losses From Straddles (Attach a separate schedule listing each straddle and its components.)**

**Section A.—Losses From Straddles**

a. Description of property	b. Date entered into or acquired	c. Date closed out or sold	d. Gross sales price	e. Cost or other basis plus expense of sale	f. LOSS If column e is more than d, enter difference. Otherwise, enter zero.	g. Unrecognized gain on offsetting positions	h. Recognized loss. If column f is more than g, enter difference. Otherwise, enter zero.
10							
11a Enter short-term portion of line 10, column h, here and on Schedule D. Identify as Form 6781, Part II . . . . .							( )
b Enter long-term portion of line 10, column h, here and on Schedule D. Identify as Form 6781, Part II . . . . .							( )

**Section B.—Gains From Straddles**

a. Description of property	b. Date entered into or acquired	c. Date closed out or sold	d. Gross sales price	e. Cost or other basis plus expense of sale	f. GAIN If column d is more than e, enter difference. Otherwise, enter zero.
12					
13a Enter short-term portion of line 12, column f, here and on Schedule D. Identify as Form 6781, Part II . . . . .					
b Enter long-term portion of line 12, column f, here and on Schedule D. Identify as Form 6781, Part II. . . . .					

**Part III Unrecognized Gains From Positions Held on Last Day of Tax Year (Memo Entry Only—See Instructions)**

a. Description of property	b. Date acquired	c. Fair market value on last business day of tax year	d. Cost or other basis as adjusted	e. UNRECOGNIZED GAIN If column c is more than d, enter difference. Otherwise, enter zero.
14				

**Instructions**

(Section references are to the Internal Revenue Code unless otherwise noted.)

**Paperwork Reduction Act Notice.**—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping . . . . . 9 hrs., 49 min.
- Learning about the law or the form . . . . . 1 hr., 58 min.
- Preparing the form . . . . . 3 hrs., 8 min.
- Copying, assembling, and sending the form to IRS . . . . . 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions for the tax return with which this form is filed.

**Purpose of Form.**—Form 6781 is used by all taxpayers who held section 1256 contracts or straddles.

**Section 1256 contract.**—A section 1256 contract is: (1) any regulated futures contract, (2) any foreign currency contract, (3) any nonequity option, and (4) any dealer equity option. For definitions and more information, see Pub. 550, Investment Income and Expenses.

Special rules apply to certain foreign currency contracts. See section 988, and Temporary Regulations sections 1.988-1T(a)(4) and 1.988-3T. If an election is made under section 988(c)(1)(D) or 988(a)(1)(B), attach to your return a list of the contracts covered by the election(s), showing the net gain or loss reported from those contracts, and identifying where the gain or loss is reported on the return. If an election is made under section 988(a)(1)(B), report the gains and losses on Form 6781.

Gain or loss from the trading of section 1256 contracts is treated as capital gain or loss. However such transactions are subject to self-employment tax. For more information, see Pub. 533, Self-Employment Tax.

**Straddle.**—A straddle means offsetting positions with respect to personal property.

**Offsetting positions.**—If there is a substantial decrease in risk of loss to a taxpayer holding a position because that taxpayer or a related party also holds one or more other positions, then those positions are offsetting. Any position that is not part of an identified straddle cannot offset any position that is part of an identified straddle.

**Hedging transactions.**—Do not use Form 6781 to report hedging transactions. Report them directly on your tax return. Any gain or loss on a hedging transaction is treated as ordinary income or loss. For more information about hedging transactions and the limitation on their losses, see Pub. 550.

**Mixed straddle election.**—Under section 1256(d), you may elect not to have the marked-to-market rules apply to section 1256 contracts that are part of a mixed straddle. A mixed straddle is any straddle in which at least one (but not all) of the positions is a section 1256 contract. Each position forming part of the straddle must be clearly identified, on the day the first section 1256 contract forming part of the straddle is acquired, as being part of such straddle. If you made this election, it will apply for all later years as well. It cannot be revoked without the consent of the IRS. If you made this election, check box A and report the section 1256 component in Part II instead of Part I.

**Straddle-by-straddle identification election.**—Make this election according to Temporary Regulations section 1.1092(b)-3T(d) by clearly identifying each position by the earlier of: (1) the close of the day the identified mixed straddle is established, or (2) the time the position is disposed of. No straddle-by-straddle identification election may be made for any straddle in which a mixed straddle election was made or if one or more positions are includible in a mixed straddle account. If you made this election, check box B.

If the net gain or loss is attributable to a net non-section 1256 position, then the net gain or loss is treated as a short-term capital gain or loss. Enter it directly on Schedule D and identify the election. If the net gain or loss is attributable to a section 1256 position, enter the gain or loss in Part I of Form 6781 and identify the election.

**Mixed straddle account election.**—Make this election according to Temporary Regulations section 1.1092(b)-4T(f) to establish one or more mixed straddle accounts for 1991, by the due date (without extensions) of your 1990 tax return. To make this election, check box C and attach the statement required by that regulation to your return. Report the annual account net gain or loss from a mixed straddle account in Part II. See Temporary Regulations section 1.1092(b)-4T(c)(4) for limits on the total annual account net gain or loss.

If you did not make the above elections, and you have a loss on the section 1256 component, use Part II to reduce the loss by any unrecognized gain on the non-section 1256 component before making an entry in Part I. You must also reduce the loss from any section 1256 component of a straddle which would be a mixed straddle if the positions had been properly identified as such.

**Net section 1256 contracts loss election.**—If you have a net section 1256 contracts loss for 1990, you may elect to carry it back three years. The amount which may be carried back cannot be more than the net section 1256 contracts gain in the year to which the loss is carried. The loss is carried to the earliest year first. See section 1212(c) for definition of net section 1256 contracts loss and net section 1256 contracts gain. Make the election by checking box D and entering the amount to be carried back on line 6. To carry your loss back, file an amended return, and attach an amended Form 6781 for the applicable year.

## Part I

**Line 1.**—Include on line 1 all gains and losses from section 1256 contracts open at the end of your tax year or closed out during the year. If you received a Form 1099-B or equivalent statement, include the amount from box 9 of each form in column b or c of line 1, Form 6781. In column a, write 'Form 1099-B' and the broker's name. List separately each transaction for which you did not receive a Form 1099-B or equivalent statement, or if the Form 1099-B you received is not for your tax year.

**Line 4.**—If the Form 1099-B you receive includes a straddle or hedging transaction, it may be necessary to make certain adjustments listed in (a) through (c) below. Attach a schedule listing each adjustment and enter the total on line 4.

(a) Enter the regulated futures part of a mixed straddle if you made any of the mixed straddle elections.

(b) If you did not make any of the mixed straddle elections or the straddle wasn't identified as a mixed straddle and you had a loss on the regulated futures part which was less than the unrecognized gain on the non-regulated futures part, enter the amount of the loss. If the unrecognized gain is less than the loss, enter the unrecognized gain. Use Part I for a loss on the disposition of one or more positions that are part of a mixed straddle and that are non-section 1256 positions if the disposition of no non-section 1256 position in the straddle would be a long-term capital gain or loss, and the disposition of one or more section 1256 positions in the straddle would be a capital gain or loss.

(c) Enter the regulated futures part of a hedging transaction.

**Line 7.**—Partnerships and S corporations should enter this amount on Schedule K, Forms 1065 and 1120S as Other Income (Loss). Skip lines 8 and 9.

## Part II

Attach a separate schedule listing each straddle and its component positions.

Use Section A for losses from positions that are part of a straddle. A loss is allowed only to the extent it exceeds the unrecognized gain on offsetting positions. The part of the loss not allowed is treated as if incurred in the following year.

Use Section B for gains from positions that are part of a straddle.

Do not include in Part II a disposition of one or more positions that are part of a hedging transaction, a disposition of a loss position included in an identified straddle, and a disposition of a position that is part of a straddle if all the positions of the straddle are section 1256 contracts.

**Column a.**—Enter the personal property, delivery date, and indicate whether the property is a long or short position.

**Columns d and e.**—For positions sold or closed out, enter the sales price or closing price in column d, and the cost or other basis plus commissions paid in column e. Include in column e interest and carrying charges properly allocable to personal property that is part of a straddle. You cannot deduct these expenses. See Pub. 550 for more information about interest and carrying charges.

**Section A, column f.**—Include in this column any loss not allowed in the prior year to the extent of the unrecognized gain.

**Section A, column g.**—Enter the unrecognized gain on positions offsetting those in columns a through f. Figure this column by subtracting the cost or other basis of the offsetting position from the settlement price of that position as of the close of the last business day of your 1990 tax year. Do not enter less than zero.

**Lines 11 and 13.**—Separate recognized gains and losses into short-term and long-term. Attach a separate schedule. For information about the holding period for straddle positions, see Pub. 550 and Temporary Regulations section 1.1092(b)-2T. For section 988 contracts that are part of a mixed straddle, attach a separate schedule. Identify the net gain (income) or loss and state where it is reported on the tax return.

## Part III

Section 1092 contains a reporting requirement. You must complete Part III by listing each position (whether or not part of a straddle) that you held at the end of the tax year (including any position you are treated as holding because it is held by a related party) if the settlement price of the position at such time exceeds your cost or other basis as adjusted.

Do not include positions that are part of an identified straddle or hedging transaction, property that is stock in trade or inventory, and property used in a trade or business subject to depreciation.

Do not complete Part III if you do not have a recognized loss on any position (including regulated futures contracts).