

Tax Calculation Error in Schedule D Worksheet

Cross References

- www.irs.gov/forms-pubs/error-in-tax-calculation-in-schedule-d-tax-worksheet-form-1040

The 2018 Schedule D Tax Worksheet in the Instructions for Schedule D (Form 1040) contained an error. The tax calculation did not work correctly with the new Tax Cuts and Jobs Act (TCJA) regular tax rates and brackets for certain Schedule D filers who had 28% rate gain (taxed at a maximum rate of 28%) reported on line 18 of Schedule D, or unrecaptured section 1250 gain (taxed at a maximum rate of 25%) reported on line 19 of Schedule D. The corrected worksheet is now in the updated instructions for Schedule D. The error is in any Schedule D instructions that were downloaded from www.irs.gov prior to May 16, 2019. Instructions downloaded after May 15 contain the correct calculation. The IRS will update any returns filed after May 15, 2019 to reflect the correct tax using the new calculation.

Because the IRS has already provided the corrected worksheet to its tax software partners, anyone filing a 2018 return after May 15, 2019 should not be affected by the error. The correction results in a lower regular tax for most affected taxpayers, and a higher regular tax for a small number of the impacted taxpayers, depending on the taxpayer's individual return.

Affected taxpayers do not need to file an amended return with the IRS or call the IRS. The IRS is reviewing returns submitted prior to May 16. More information will be provided about this review later on the IRS website at www.irs.gov.

The IRS corrected the Schedule D Tax Worksheet in the Instructions for Schedule D (Form 1040) by renumbering line 18 as line 18a, adding new lines 18b and 18c, and updating the text on line 19 to reflect those changes. A Form 1040 taxpayer's regular tax calculation using the worksheet is potentially impacted if:

- 1) Form 1040, Schedule D, lines 15 and 16 are both more than zero,
- 2) Schedule D, line 18 or line 19 is more than zero (or both are more than zero),
- 3) The taxpayer's taxable income is more than \$38,600 if Single or Married Filing Separately, \$51,700 if Head of Household, or \$77,200 if Married Filing Jointly or a Qualifying Widow(er),
- 4) Line 15 of the Schedule D Tax Worksheet is not more than line 14 of the Schedule D Tax Worksheet (those lines were not impacted), and
- 5) Line 18 of the original Schedule D Tax Worksheet (line 18a of the corrected Schedule D Tax Worksheet) is not more than \$157,500 [\$315,000 if Married Filing Jointly or a Qualifying Widow(er)].

Potentially impacted taxpayers may recalculate their regular tax using the new worksheet to see if it changes. However, the IRS is reviewing all potentially impacted filed returns. More information will be provided later on the IRS website at www.irs.gov.