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This is the second article in a [special 16-part year-end tax planning series](#) by tax attorney Ken Berry, JD.

For years, tax planners stressed the benefits of harvesting capital losses from securities transactions at the end of the year to offset capital gains. Of course, this

tried-and-true tax strategy still works like a charm. However, in recent years, the

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and other capital assets are treated as short-term gains or losses if you've held the asset a year or less and long-term if you've owned it for more than a year. Gains and losses are "netted" when your tax return is filed to produce the final results. If you have a net loss, you may then offset up to \$3,000 of highly-taxed ordinary income before carrying over any remaining loss to the next year. The top tax rate on ordinary income in 2015 is 39.6 percent (plus a 3.8 percent surtax may apply to the net investment income of certain upper-income taxpayers).

The main attraction is the maximum tax rate on long-term capital gains. Typically, an investor will pay a long-term capital gains tax of 15 percent on a securities transaction. For someone in the top ordinary income tax bracket of 39.6 percent, the maximum tax rate on long-term capital gains is 20 percent — still a good deal at almost half the tax rate of the tax rate you'd owe on any additional ordinary income.

And here's the kicker: If a taxpayer is in either of the two lowest ordinary income tax brackets – the 10 percent and 15 percent brackets – the tax rate on long-term gains is an astounding 0 percent. This is a tax break that is practically unrivaled in the tax code.

Accordingly, a client who has young children may benefit from the 0 percent tax rate by shifting securities into the children's name, although this could lead to "kiddie tax" complications. (For 2015, unearned income received by a dependent child who is under 19 or is a full time-student under 24 is taxable at the parents' tax rate to the extent it exceeds \$2,100.) But this tax break isn't just for kids.

Take the example of a joint filer who normally has an annual taxable income of \$150,000, but will show a \$100,000 loss from an S corporation in 2015. Because the upper threshold of the 15 percent tax bracket is \$74,900, the taxpayer may realize a long-term capital gain of up to \$24,900 and pay zero tax on the gain!

What about short-term capital gains? If you've already realized capital losses this

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