

Washems!®

is a standalone pc-based program designed to calculate disallowed losses resulting from the buying and selling of stocks and options. It was written to satisfy the stringent reporting requirement of large financial institutions, hedge funds and major accounting firms and strictly conforms to the rules set forth in Internal Revenue Code Section 1091(a). Based on a user supplied excel file containing all types of market transactions, the program produces an excel workbook containing multiple detailed worksheets containing all of the information needed to correctly report wash sales, constructive sales, adjusted tax basis dates, reclassified losses, etc. In addition to the detail reports, the workbook reports include numerous summary sections, breakdowns by year, month, etc., and a warnings report listing all realized losses subject to loss if the particular security is reacquired by a specific date. *[A Tax Unrealized report is also included but only those open transactions having values in both the Proceeds and Gain/Loss columns will be evaluated and included in the report.]*

Please Note: You must be running Excel 2007 or later in order to use this version of Washems!.

PREPARING THE INPUT FILE

The Basics

The input file can be either an excel file or a 'csv' file. If you choose to use an excel file, it must be the first worksheet in your workbook and conform to the format listed below. If you elect to use a 'csv' file, it too must be in the required format. Regardless of the type of input file used, the file should contain one entry per line and, this is **very** important:

There should be no imbedded commas, double quotes, single quotes or decimal points in any of the fields. All numeric fields (9-12) should contain whole dollars only. And, all dates (3, 7-8) are in a month/day/year format: mm/dd/yy or mm/dd/yyyy such as: 02/04/04, 02/04/2004, 2/2/04, etc.

Since there's no limit to either the number of transactions or the number of different securities you can process in a single input file, your files can be as large as you like.

There are 12 basic required fields that must be in every input file and these are as follows:

RUNNING THE CALCULATION MODULE

Now that you've created and saved your input file in the correct format, you're ready to calculate your wash sales. The following section describes and explains the job parameters found on the calculation screen. Please note that the program will automatically sort your input file for you in the following sequence: security, close date, open date, gain/loss (losses first) and number of shares (shorts first).

Calculation Parameters

1. **Input File:** name and directory (full path) where the input file can be found;
2. **Check here to turn ON Sub Lot Processing:** Sub lot processing breaks down each lot for a more accurate calculation of both the total amount of wash sales and the Adjusted Tax Basis date. However, depending upon the size of the input file and the number of transactions associated with a particular security, processing time may be *significantly* increased;
3. **Report Detail Level:** Level of detail to show in the report:
 - (a) **'All'** = shows every security processed from the input file regardless of whether it was used in or produced a wash sale;
 - (b) **'Scope'** = gives you a choice as to which wash sales to show:
If the total wash sales for a security are less than the entered Scope Amount, the security is bypassed and does not appear in the report. A Scope = 1 is thus the same as selecting the 'All' option. If, for example, 500 is entered in the Scope field, any security having less than \$500 in wash sales will be bypassed and not appear in either the report or its totals;
4. **Same Date = Same Lot:** Select how the program should treat separate lots that were purchased on the same day:
 - (a) **'Yes'** = all lots purchased on the same day will be combined and treated as if they are all from the same single lot;
 - (b) **'No'** = don't combine the lots automatically but compare their prices and, if they're within a certain percentage of one another, combine them. The 2 digit percentage field next to the 'No' button holds the variance percentage used in the comparison. For example, an entry of 5 for 5%, tells the program to compare the purchase prices of the 2 lots to see if they are within 5% of one another. If they are, then the 2 lots are combined and considered as one. Otherwise, if their purchase prices differ by more than 5%, the 2 lots retain their uniqueness and are treated as separate transactions.
5. **Calculation Type:** How the program is to offset Short sales of stock:
 - (a) **'Short vs Short'** = can only offset short stocks with short stocks and nothing else (no long stocks, no calls and no puts);
 - (b) **'Short vs Short & Long'** = can only offset short stocks with long stocks, long calls and short stocks (no puts or short calls);
6. **Summary Report Breaks:** Summary totals to be included in the output file;

7. **Warning Report:** Should the results file include a report showing all realized losses that would be lost if a position in the subject security is obtained prior to the end of the 30 day wash sale period specified by the As Of Date;
8. **Option Conversion:**
 - (a) 'Convert to Shares' = convert number of Option Lots into shares (x 100);
 - (b) 'Keep as Entered' = use as entered;
9. **Constructive Sales:** How the program should calculate the Constructive Sales:
 - (a) 'Minimum Gain' = Results will show the Lowest Gains and the Highest Locked in Losses;
 - (b) 'FIFO Gain Only' = Results are based on the FIFO matching method for Gains only;
 - (c) 'FIFO' = Results are based on a straight FIFO method.

Input Screen

PS: See that little green date in the right hand corner of the input screen? That's the creation date of your current executable so you'll always be able to check it against the one shown on the [DOWNLOADS](#) page of the website.

Output Results

The output is created as an excel workbook in a subdirectory of the **Washems!** home directory, "`c:\wemspc\ResultFiles`" and given a unique name based on the name of the input file and the current run date.

For example, if the input file is called "D:\Files\ABC_Company.xls", the output file will be created as:

`"c:\wemspc\ResultFiles\ABC_Company-xls_mm-dd-yyyy.xlsx"`.

FAQs

1. Day 1, 100 shares of IBM were purchased; Day 2, those 100 shares were sold; then, on Day 3, 100 shares of IBM were repurchased. How would the buy and sell transaction be handled?

The buy and sell would only need to show up on one line not two.

2. Should all long quantities (realized and unrealized) be treated as positive and all short quantities treated as negative?

Yes.

3. How do I show short sales on the input?

For short sales, please think of the Cost column (K or 10) as the Enter price and the Proceeds column (L or 11) as the Exit price.

4. Does it matter what sign I put on the cost and proceeds columns for long and short transactions?

No.

5. Do I need to manually reverse the prior year wash sales?

No. You can run a cumulative wash sale report. By doing it this way, you reverse all of the wash sales booked in prior years that were outstanding at prior year end and then book the cumulative wash sale result from **Washems!** When you run your cumulative report include: (1) the realized reports from the prior years; (2) the current year's realized report; (3) the current year's unrealized report as of the testing time period; and, (4) the following month's purchases. (Example: To run cumulative wash sales for 2010 that include all wash sales from 2008, 2009, and 2010, take the realized reports from 2008, 2009, 2010, and combine them with the unrealized report @ 12/31/2010 and the January 2011 purchases.) To properly reflect the results, automatically reverse all wash sales that were still open at 12/31/09 and book the **Washems!** results. In order to assure proper tax character on the reversals, please review the holding period reclassifications included in the report.

For more information, tools (including an input file template you can download), etc., please visit our website at <http://www.washems.com>

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