

# Washems!®

is a multi-platformed 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 upon a common file format compatible with excel, it produces a detailed report showing the following calculated information for each transaction:

**Name of Security**  
**Option Information (if Call or Put transaction)**  
**Enter Date**  
**Exit Date**  
**Quantity**  
**Gain/Loss - Short and Long Term**  
**Adjusted Gain/Loss - Short and Long Term**  
**Total Adjusted Gain/Loss**  
**Wash or Offsetting Lot #**  
**Wash Lot Enter Date (Date Reacquired)**  
**Number of Shares Reacquired**  
**Loss Disallowed**  
**Loss Rolled into Realized - Short and Long Term**  
**Loss Rolled into Unrealized - Short and Long Term**  
**Period Loss Disallowed In**  
**Disallowed Loss - Short and Long Term**  
**Period Loss Allowed in**  
**Allowed Loss - Short and Long Term**  
**Adjusted Tax Basis Date**  
**Reclassification Information (if applicable).**

The reports contain totals for each security, 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.

***\*New feature:*** *A Tax Unrealized report has been added to the output! But, only those open transactions having values in both the Proceeds and Gain/Loss columns will be evaluated and included in the report.*

## PREPARING THE INPUT FILE

### The Basics

The file should contain one entry per line and have a comma between each of the fields. To accomplish this, the Excel entries should be saved as a 'comma delimited file' otherwise known as a 'csv' file. You do this by clicking on the 'File' option in Excel's toolbar and then selecting 'Save As'. Once the 'Save As' window opens, scroll down the file types until you see 'Comma Delimited'. Choose this type and key in a name for your file. You may use the original worksheet name since Excel appends a different suffix to the name indicating the file's type. Your Excel work file, for example will have the name 'whatever.xls' and your saved csv file will be called 'whatever.csv'. Remember this name!

There's no limit to either the number of transactions or the number of different securities you can process in a single file which means that your files can be as large as you like.\*

Ahaa - the dreaded asterisk! For the sake of performance, we've limited the number of transactions for a *single* security to 25,000. We don't think that limit should prove too troublesome to most folks but, if you find that you're part of this elite group, please let us know and we'll send you the no-holds-barred version at no charge.

*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.*

### Required Fields

1. **Security (stock) Name:** up to 80 characters long;
2. **Unique Lot Id:** unique user defined identifier up to 50 characters in length.  
This field is not used in the calculation but is included in the output file;
3. **Merger Date:** mm/dd/yy or mm/dd/yyyy or blank if not applicable;
4. **Option or Stock:** "Call", "Put" or blank for stock;
5. **Option Expiration Month:** '01' through '12' or blank for stock;
6. **Option Strike Price:** E.g. 42 ½, not 42.5; blank for stock;
7. **Date Acquired:** date format as above;
8. **Date Sold:** date format as above or blank if the lot is still open;
9. **Number of Shares or Option Lots:** maximum of 10 digits;
10. **Cost:** maximum of 10 digits;
11. **Proceeds:** maximum of 10 digits; blank if the lot is still open;
12. **Gain or Loss:** maximum of 12 digits; blank if the lot is still open.

**Note:** If Fields 9 or 12 are negative, please use a '-' and not parentheses.

Please see the FAQs section at the end for more information.



## 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. **Output File:** name and directory (full path) for the calculated output file (make sure you use '.csv' as the extension so you can open the file in Excel);
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;

**Input Screen**

The screenshot shows the 'Washems!' application window. At the top, there is a menu bar with 'Help' and 'Contact Us'. Below the menu bar, there are two text input fields: 'Input File:' and 'Output File:'. To the right of the 'Input File:' field is a 'Browse' button and a help icon (?). Below the input fields, there are six grouped sections of radio button options, each with a help icon (?):

- Report Detail Level:**  All,  Scope
- Same Date = Same Lot?:**  Yes,  No
- Offset:**  Short vs Short,  Short vs Short-Long
- Summary Report Breaks:**  Yearly,  Monthly, Yearly,  Daily, Monthly, Yearly
- Warning Report:**  No,  Yes
- Option Conversion:**  Convert to Shares,  Keep as Entered

At the bottom of the window, there are three buttons: 'Clear Screen', 'Calculate', and 'Exit'.

## 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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