RECORDS & TAXES, HONESTLY

Vajgrt Labs - Education - Lesson 69 of 72 - 8 min read - Updated Oct 21, 2026

TL;DR

- GENERAL INFORMATION ONLY - NOT TAX ADVICE. Everything in this lesson is the IRS's published general guidance (Publication 550; Topic No. 409; the Form 1099-B instructions), summarised for education. Your situation - filing status, other income, state rules, accounts this course can't see - decides your actual treatment, and a tax professional is the authority for it. A course that taught your taxes would be lying about its qualifications.

- SPY options are equity options: gains and losses on them are capital gains and losses, reported trade by trade on Form 8949 and summarised on Schedule D (IRS Publication 550). They are NOT section 1256 contracts - the 60/40 split and year-end mark-to-market belong to nonequity options, like cash-settled SPX index options. And the wash-sale rule reaches SPY options and shares alike, across all your accounts.

- Two ledgers, two jobs. The broker's Form 1099-B reports your trades' prices and (for options acquired after 2013) their basis, and flags the wash sales it can see - same account, same CUSIP. Your journal must carry everything it can't: the plan and the process behind each trade, and the cross-account picture - a spouse's purchase, another broker, an IRA - that the tax rules count and no single broker can.

THE TAKEAWAYS

- What the broker provides - the register: a confirmation for every fill (price, fees; the document Lesson 2 has you reconcile the same day); account statements; and after the year ends, a consolidated tax package built around Form 1099-B, which reports your sales - for options acquired after 2013, cost basis is reported to you and the IRS too (the covered-security phase-in, per the IRS's Form 1099-B instructions). Box 1g of that form shows wash-sale losses the broker disallowed - under the form's own limits: covered securities, identical CUSIP, bought in the same account. Everything outside that triangle is yours to catch (takeaway three).

- How SPY options are taxed, in general (Publication 550's options section, in the course's words): an option on a capital asset is itself treated as a capital asset - close it, exercise it or let it lapse, and the difference is a capital gain or loss, short- or long-term by how long you held it (this course's trades run days to weeks: short-term). Let a bought option expire unexercised and you are treated as having sold it on its expiration date - the premium becomes a capital loss, dated at expiry. Write an option and let it lapse unexercised, and the premium you kept is a short-term capital gain (the credit spread's short leg lives under this rule whenever it isn't closed first - one more reason this course closes spreads before expiry, Stage 7). One more general line: sizeable gains during the year can mean estimated-tax payments (Topic No. 409) - a professional sizes those, not a lesson.

- The wash-sale rule, honestly (Publication 550's wash-sales section): sell a security at a loss - shares, or an option on them; the rule expressly covers contracts and options - and within 30 days before or after, you buy substantially identical securities, OR acquire an option on them, OR your spouse buys them, OR your IRA or Roth IRA buys them, and the loss is disallowed for that year. Normally 'disallowed' means postponed: the loss is added to the replacement position's cost basis, and the holding period carries over. THE IRA EXCEPTION IS THE TRAP: when the

replacement buy happens inside an IRA, Publication 550's basis adjustment excepts exactly that case - there is no basis for the loss to land on, and it is gone permanently. And the honest uncertainty: whether two SPY option trades at different strikes or expiries are 'substantially identical' is a facts-and-circumstances question the IRS publishes no bright-line table for; professionals disagree about its edges. That uncertainty is itself a course point - it is why the journal records every leg with dates, and why your first live year's return deserves professional eyes. What is not uncertain: a disallowed loss is your responsibility even when no form flags it. Publication 550 says so outright.

- Losses, limits and the file cabinet (Topic No. 409; the IRS's recordkeeping guidance): capital losses first offset capital gains; a remaining net loss offsets other income up to $3,000 a year ($1,500 if married filing separately), and the rest carries forward to later years (the capital loss carryover). The example block's budgeted -$341, if it lands, is a small short-term capital loss handled exactly this way - worth whatever your marginal rate makes of it, and not a dollar more: nobody 'writes off their tuition' at face value, and any course implying otherwise is marketing. Keep the records that support a return - confirmations, statements, the 1099s, your journal - until the period of limitations for that return runs out: generally three years after filing, per the IRS's guidance; keep copies of the filed returns themselves for good. The journal you would keep anyway, for Stage 9's reasons, turns out to be a tax record too. File it like one.

RULE: Two ledgers, both kept: the broker's for prices, yours for everything the tax rules - and your own review - actually ask about.

COMMON MISTAKES

- Filing from the journal - or from memory - when the register exists. The IRS holds the broker's copy; your return's job is to agree with it and explain the differences, wash-sale adjustments included - not to retell the year in R-multiples.

- Assuming the 1099-B catches every wash sale. It flags the ones inside its triangle - covered security, identical CUSIP, same account. A spouse's buy, another broker, or an IRA replacement is invisible to it and fully visible to the rule.

- Re-entering a losing structure inside 30 days without asking the wash-sale question - or worse, replacing a loss inside an IRA, where the disallowed loss has no basis to land on and is gone for good.

- Calling a loss 'a write-off' at face value. The worked example's $214 loss was worth about $47 at a hypothetical 22% rate. Losses are tuition when they teach; their tax relief is a discount on the bill, never a refund of it.

DO IT - BUILD THE TAX FOLDER, THEN MAKE THE DECISION

Assemble the folder this lesson describes, using your paper record as the rehearsal: a confirmations section (your paper fills stand in, for now), a statements section, a tax-forms section - empty, labelled, waiting, with a note of the three IRS sources this lesson summarises (Publication 550; Topic No. 409; the Form 1099-B instructions) - and your journal, audit card and protocol card filed behind it. Write the retention line on the folder's first page: 'Kept until the limitations period for each return runs out - generally three years after filing; filed returns kept for good.' Then make the decision in the box below this lesson - protocol, or paper - and add one dated sentence to your journal recording it. That sentence, the audit, and

the protocol card are the course’s complete final artefacts. (General information, not tax advice - your own professional is the authority for your return.)

Education only - not financial advice, and not tax advice. Stage 10’s worked figures are the course’s labeled example learner - a $25,000 certified figure from Stage 0, a $5,000 tuition tranche - on Stages 7-9’s own structures (the 773/775 and 780/785 call debit verticals; the 765/760 put credit) at their printed fills, marked EXAMPLE on the page and on every graphic; its worked block’s expectancy is Stage 9’s sample log figure; the contract-fee example is Fidelity’s published schedule (checked in Stage 2). Its tax statements are general information summarised from IRS Publication 550, IRS Topic No. 409 and the IRS Instructions for Form 1099-B (irs.gov), checked Oct 15, 2026. Going live is optional by design; nothing here promises or implies profitability. Vajgrt Labs - Education.