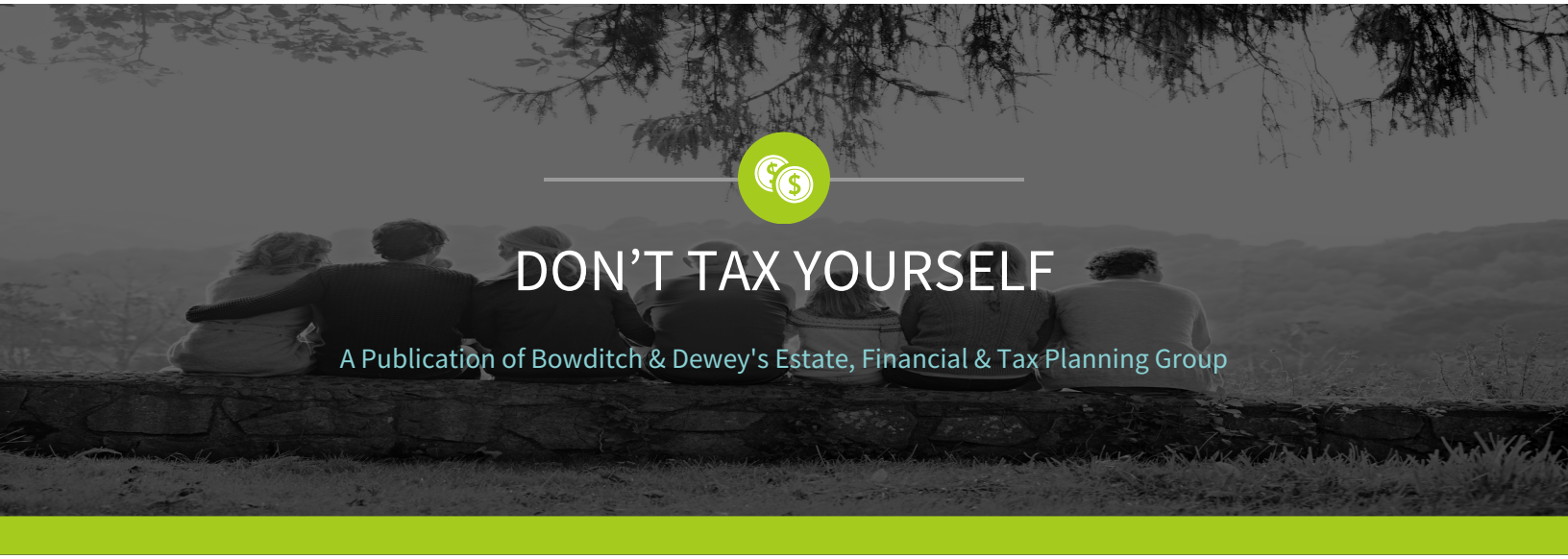


DON'T TAX YOURSELF

A Publication of Bowditch & Dewey's Estate, Financial & Tax Planning Group

What You Should Know About Day Trading

BY SCOTT C. CASHMAN • AUGUST 24, 2020

Since the start of the global pandemic this past March, day trading has become a way for some to spend their newfound free time while quarantining at home. For others, day trading has filled the void that was left when sports and sports betting were cancelled. The colorful, and some say sexist, David Portnoy, founder of *Barstool Sports*, has compared day trading to the thrill of sports betting and has captivated many of Portnoy's 1.7 million twitter followers.

Day trading is customarily defined as trading in securities often closing the position in the same day in an attempt to profit from the daily movement of share prices, hence "day trading." Some include those who hold a security for a very short period, often days, as day traders. It is debatable whether such a "strategy" can be included in the term investing, but the growth of trading platforms such as *Robinhood* suggest that many have taken up this activity.

Many of these investors are young and new at investing, and start with a small initial investment of a few thousand dollars and through the technology available in these trading platforms can trade in small lots of securities.

Day trading may be useful for young new investors to learn about investing in the markets, and may even be thrilling (if losing money, as most do, is thrilling). Day trading can also create headaches when it is time to file your taxes.

Each one of the sales whether it be a single share or a thousand shares is a reportable transaction, and gains or losses must be tallied. Generally, the investors will report this activity on Schedule D and Form 8949. Therefore, impeccable record keeping is a must since you will need to account for the date and the amount of each purchase as well as the date and amount of each sale. The better trading platforms will provide this information in a downloadable format that can be transferred into a tax preparation software. Otherwise, it is up to the investor to track this information. For those who self-prepare their tax returns, it may be at this point that a competent professional is engaged rather than a DIY tax return. It is easy to imagine how even a trade or two per day could result in hundreds of reportable transactions come tax time and for more active in day trading a thousand or more.

For those who spend a substantial amount of time day trading and whom the IRS considers professional traders, a

©2026 Bowditch & Dewey LLP. All Rights Reserved.

complex set of additional information can be found in IRS topic 429.

Some have suggested that the rapid rise in the price of Tesla can be attributed to this new breed of day traders.

How all of this trading turns out when markets return from the ascent that has begun during the March 2020 market lows remain to be seen, but one thing is certain, taxes will have to be filed at year-end.

©2026 Bowditch & Dewey LLP. All Rights Reserved.