The District’s combined reporting statute states:

For each class of gain or loss (short-term capital, long-term capital, section 1231 of the Internal Revenue Code of 1986, and involuntary conversions) all members' business gain and loss for the class shall be combined without netting between classes and each class of net business gain or loss separately apportioned to each member using the member's apportionment percentage determined under §47-1810.04.

Each taxpayer member shall then net its apportioned business gain or loss for all classes, including any such apportioned business gain and loss from other combined groups, against the taxpayer member's non-business gain and loss for all classes allocated to the District, using the rules of sections 1222 and 1231 of the Internal Revenue Code of 1986, without regard to any of the taxpayer member's gains or losses from the sale or exchange of capital assets, section 1231 of the Internal Revenue Code of 1986 property, and involuntary conversions that are non-business items allocated to another state.

Any resulting District source income or loss, if the loss is not subject to the limitations of section 1211 of the Internal Revenue Code of 1986, of a taxpayer member produced by the application of the preceding subparagraphs shall then be applied to all other District source income or loss of that member.

Any resulting District source loss of a member that is subject to the limitations of section 1211 of the Internal Revenue Code of 1986 shall be carried forward by that member and shall be treated as District source short-term capital loss incurred by that member for the year for which the carryover applies.

Schedule 4 Section A begins with each component of gain/loss (allowing adjustment for differences in basis for each depreciable component):

- A1 – Capital gain/loss from Schedule D
- A2 – Section 1231 gain/loss from Form 4797 Part 1
- A3 – Ordinary gain/loss from Form 4797 Part 2
- A4 – Short-term casualty/theft gain/loss from Form 4684 Part 2
- A5 – Long-term casualty/theft gain/loss from Form 4684 Part 2
Schedule 4 Section B computes the District portion of each component, which is the summation of the following:

- The non-business portion of the component allocated to the District
- The business portion of the component apportioned to the District

Note: Section 1231 gain/loss and ordinary gain/loss from Form 4797 is assumed to be business gain/loss that is fully apportioned.

Schedule 4 Section C (using District gain/loss) mirrors the Section 1231 netting that occurs on Form 4797 Part 1 (using total gain/loss).

- Line C1 - Form 4797 Line 3 (net long-term casualty/theft gain is reclassified as Section 1231 gain)
- Line C2 - Form 4797 Lines 2/4/5/6
- Line C3 - Form 4797 Line 7
- Line C4 - Form 4797 Line 8 (prior-year Section 1231 losses recapture Section 1231 gains over 5-year period)
- Line C5 - Form 4797 Line 9

Schedule 4 Section D (using District gain/loss) mirrors the Section 1231 netting that occurs on Form 4797 Part 1 (using total gain/loss).

- Line D1 - Form 4797 Line 14 (net long-term casualty/theft loss is reclassified as ordinary loss)
- Line D2 - Form 4797 Line 11 (net Section 1231 loss is reclassified as ordinary loss)
- Line D3 - Form 4797 Line 12
- Line D4 - Form 4797 Lines 10/13/15/16
- Line D5 - Form 4797 Line 14 (net short-term casualty/theft gain/loss is classified as ordinary gain/loss)
- Line D6 - Form 4797 Line 17

Schedule 4 Section E (using District capital gain/loss) mirrors the Section 1221 netting that occurs on Schedule D (using total capital gain/loss).

- Line E1 - Schedule D Lines 1/2/3/6/8/9/10
- Line E2 - Schedule D Line 7 (net Section 1231 gain is reclassified as capital gain)
- Line E3 - Schedule D Line 4
- Line E4 - Schedule D Line 5/11
- Line E5 is informational (net capital loss becomes capital loss carryover for the subsequent year)
- Line E6 - Schedule D Line 12/13

Schedule 4 Section F calculates the actual gain/loss adjustment applicable to District taxable income.

- F1 mirrors the treatment of gain/loss that occurs on Form D-20 or Schedule 1.
Indicates the District gain/loss that would apply if taxpayers could simply allocate and apportion total gain/loss to the District.

In other words, this value represents what would be the District gain/loss if there were no requirement to repeat the netting process (using District gain/loss) that already occurs on the federal forms (using total gain/loss).

- F2 is the District gain/loss from Section D and Section E (which reflects the requirement to repeat the netting process (using District gain/loss) that already occurs on the federal forms (using total gain/loss).
- F3 is the District gain/loss adjustment, the difference caused by the requirement to repeat the netting process.
- F4 is a “gross-up” of the District gain/loss adjustment into a pre-apportionment amount.
  - Mechanically, F4 becomes a component of apportionable income.
  - Therefore, when the apportionment percentage is later applied to derive District taxable income, the overall income effect of F4 is F3.