Title: Crime Lords
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Is_self: False

I've read somewhere on here that hedge funds don't pay taxes on short positions when they succeed in delisting a company. That naturally inspires righteous anger and injustice, but lets calmly think through the process for a moment to realize what that actually means:

Short positions that generate profits are taxed when those positions are actually closed, just like long positions.

There is no reason to assume that situation changes happens when a stock is delisted, or the share price goes to $0.00. Closing a short position at a share price of $0 is still profit-taking, and still results in a taxable event. If you have actual hard evidence as to why the tax situation for shorts taking profit would different upon delisting, bankruptcy, etc. please provide a link to a primary source of information regarding that (e.g. looking for some IRS rule, if it even exists).

For a short position to actually be untaxed, there is only one logical conclusion to make: **that the short position continues to exist**. That is, it is ***never*** actually closed. Mark Cuban was not exaggerating when he said that the goal is to NEVER cover their short positions, because even closing a short position at $0 would mean officially taking profits, which means paying taxes, and who wants to do that? Why bother closing those short positions (and paying taxes on profits) when you can just kick the can down the road?

Instead, wouldn't it be nice to simply hide those short positions in a Total Return Swap basically forever with a bunch of other delisted and soon-to-be-delisted companies, like say....GME? No one would need to know about it, no one would care, no one would even make a connection between them.

Unless of course...one of those soon-to-be-delisted companies sees a massive spike in price and volume in January, which might affect other stocks bundled up in the Total Return Swaps of those doomed companies, causing a tell-tale spike in January as well. But who in their right might would even look up the share prices of Sears anyway, it's just a bankrupt, delisted company...

[Sears vs. Gamestop year-to-date share prices](https://i.imgur.com/IPo5fcD.jpg)

Please do not look directly at the completely unrelated, unwarranted spike in Sears share price and volume in January. It clearly has absolutely nothing to do with GME. The two companies have nothing in common, they just both happen to be aggressively shorted retail establishments, and these are completely natural price movements based on...uh....earnings...and other company news...in January 2021...from Sears....

Not financial advice. I'm not suggesting to buy Sears (or Toys R Us or any other delisted company) with your spare pocket change. But I do wonder if shares of Sears (and other shorted-to-oblivion companies) still have open a tremendous number of shorted positions carrying infinite risk. And if those short positions still exist only because it is preferable to kick the can for years and years instead of paying taxes on profits. Perhaps someone will need to buy back those shorted shares someday soon, or perhaps not, I don't know.

I'm not alleging the hedge funds did anything illegal tax-wise: if the short position is legitimately still open, they don't owe taxes on it, simple as that. But to defer paying taxes and instead continue to carry infinite short risk for numerous delisted stocks...that's reckless to a whole 'nother degree. Maybe they can't afford GME squeezing because they can't afford GME squeezing, but they also can't afford to let the stock prices of delisted companies come roaring back to life after many years as well (which would happen as hedge funds fail margin calls and their Total Return Swap get closed and prime brokers start looking for shares to buy to close those positions.