

Understanding Brokerage-Reported Tax Basis on Sold Securities

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Capital Gains Reporting to IRS



- Brokerage firms are required by IRS to track cost basis of customers' securities, & report basis of any sold securities to IRS & customer.
- Brokerages must provide **Form 1099-B** to IRS & customers by February 15 each year.
 - This has all details of capital gains & losses for securities sold in year.
- This requirement helps IRS ensure it collects all capital gains taxes.

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Understanding Form 1099-B



- For each security sold in year, brokerage will include (if known) proceeds, cost basis, net gain/loss, if gain/loss is short- or long-term.
- Cost basis on form may be listed as:
 - “Covered” (for which basis is reported to IRS).
 - “Non-covered” (for which basis **not** reported to IRS).
- Broker may aggregate different tax lots of same security **OR** list each lot separately.
- Form 1099-B may vary in appearance from brokerage to brokerage, but includes **necessary** information for your tax return.

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| Summary Information | | | | | | |
|--|--|-----------|--|--|--|-------|
| DIVIDENDS AND DISTRIBUTIONS 2015 1099-DIV* | | | MISCELLANEOUS INCOME 2015 1099-MISC* | | | |
| OMB No. 1545-0110 | | | OMB No. 1545-0115 | | | |
| 1a- Total ordinary dividends (includes line 1b) | | 66,820.45 | 2- Royalties | | | 0.00 |
| 1b- Qualified dividends | | 54,910.45 | 3- Other income | | | 81.43 |
| 2a- Total capital gain distributions (includes lines 2b, 2c, 2d) | | 55,311.20 | 4- Federal income tax withheld | | | 0.00 |
| 2b- Unrecaptured Section 1250 gain | | 0.00 | 8- Substitute payments in lieu of dividends or interest | | | 0.00 |
| 2c- Section 1202 gain | | 0.00 | REGULATED FUTURES CONTRACTS 2015 1099-B* | | | |
| 2d- Collectibles (28%) gain | | 0.00 | 8- Profit or (loss) realized in 2015 on closed contracts | | | 0.00 |
| 3- Nondividend distributions | | 436.96 | 9- Unrealized profit or (loss) on open contracts-12/31/2014 | | | 0.00 |
| 4- Federal income tax withheld | | 0.00 | 10- Unrealized profit or (loss) on open contracts-12/31/2015 | | | 0.00 |
| 5- Investment expenses | | 35.24 | 11- Aggregate profit or (loss) on contracts | | | 0.00 |
| 7- Foreign country or US possession: See detail 6- Foreign tax paid: | | 371.16 | <i>If applicable, summaries and details of proceeds from sale transactions appear in subsequent sections of this document.</i> | | | |
| 8- Cash liquidation distributions | | 0.00 | * This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported. | | | |
| 9- Noncash liquidation distributions | | 0.00 | | | | |
| 10- Exempt-interest dividends (includes line 11) | | 14,372.56 | | | | |
| 11- Specified private activity bond interest dividends (AMT) | | 134.70 | | | | |

| SALES TRANSACTIONS | | | | | | |
|--|--|---------------------|---------------------|-----------------|---------------------------|---------------------|
| Proceeds, gains, losses and adjustments | | | | | | |
| Refer to the "1099-B" and "Proceeds not reported to the IRS" pages to ensure that you consider all relevant items and to determine the correct gains and losses. The amounts shown below are for informational purposes. | | | | | | |
| Term | Form 8949 type | Proceeds | Cost basis | Market discount | Wash sale loss disallowed | Net gain or loss(-) |
| Short | A (basis reported to the IRS) | 152,984.96 | 156,317.17 | 0.00 | 0.00 | -3,332.21 |
| Short | B (basis not reported to the IRS) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Short | C (Form 1099-B not received) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total Short-term | 152,984.96 | 156,317.17 | 0.00 | 0.00 | -3,332.21 |
| Long | D (basis reported to the IRS) | 140,392.21 | 138,568.89 | 0.00 | 0.00 | 1,823.32 |
| Long | E (basis not reported to the IRS) | 761,957.69 | 720,220.34 | 0.00 | 0.00 | 41,737.35 |
| Long | F (Form 1099-B not received) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total Long-term | 902,349.90 | 858,789.23 | 0.00 | 0.00 | 43,560.67 |
| Undetermined | B or E (basis not reported to the IRS) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Undetermined | C or F (Form 1099-B not received) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total Undetermined-term | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Grand total | 1,055,334.86 | 1,015,106.40 | 0.00 | 0.00 | 40,228.46 |
| Withholding from Proceeds | | | | | | |
| | Federal income tax withheld | | 0.00 | | | |

SALES TRANSACTIONS ON SAMPLE FORM 1099-B

| Proceeds from Broker and Barter Exchange Transactions | | | | | | | | Statement Date |
|---|-----------------|--------------------------|----------------------------------|-------------------------|---|------------------------|-------------------|-------------------------|
| 2015 | 1099-B* | OMB No. 1545-0715 | | | | | | |
| SHORT TERM TRANSACTIONS FOR COVERED TAX LOTS (Boxes 2 & 5) | | | | | | | | |
| Report on Form 8949, Part 1 with Box A checked. Basis is provided to the IRS. (Box 3) | | | | | | | | |
| *Gain or loss (-) and "Additional information" are NOT reported to the IRS. | | | | | | | | |
| 1a. Description of property/CUSIP/Symbol | | | | | | | | |
| 1c. Date sold or disposed | Quantity | 6. Reported (Gross (Net) | 1d. Proceeds & 1b. Date acquired | 1e. Cost or other basis | 1f. Adjustments & 1f. Code(s), if any** | 7. Loss not allowed(X) | Gain or loss(-) & | Additional information |
| AMERICAN INTL GROUP INC / CUSIP: 026874784 / Symbol: AIG | | | | | | | | |
| 01/31/15 | 24.000 | 1,155.81 | 04/29/14 | 992.62 | ... | | 163.19 | Sale |
| AMERICAN WATER WORKS CO / CUSIP: 030420103 / Symbol: AWK | | | | | | | | |
| 01/31/15 | 56.000 | 2,377.15 | 10/01/14 | 2,320.76 | ... | | 56.39 | Sale |
| BNP PARIBAS SPON ADR / CUSIP: 05565A202 / Symbol: BNPO Y | | | | | | | | |
| 2 transactions for 01/07/15. Total proceeds and cost reported to the IRS. | | | | | | | | |
| | 100.000 | 3,874.70 | 03/20/14 | 2,724.89 | ... | | 1,149.82 | Sale |
| | 25.000 | 968.69 | 03/21/14 | 683.15 | ... | | 285.53 | Sale |
| 01/07/15 | 125.000 | 4,843.38 | VARIOUS | 3,408.03 | ... | | 1,435.35 | Total of 2 transactions |
| 01/08/15 | 25.000 | 992.15 | 03/20/14 | 681.22 | ... | | 310.93 | Sale |
| | Security total: | 5,835.53 | | 4,089.25 | ... | | 1,746.28 | |
| BRIDGESTONE CORP ADR / CUSIP: 108441205 / Symbol: BRDC Y | | | | | | | | |
| 01/31/15 | 63.000 | 1,134.86 | 09/17/14 | 1,106.36 | ... | | 28.50 | Sale |
| CHINA TELECOM ADR / CUSIP: 169426103 / Symbol: CHA | | | | | | | | |
| 01/31/15 | 25.000 | 1,144.73 | 04/10/14 | 1,235.19 | ... | | -90.46 | Sale |
| ENI S.P.A. ADR / CUSIP: 26874R108 / Symbol: E | | | | | | | | |
| 01/31/15 | 31.000 | 1,405.82 | 04/10/14 | 1,459.85 | ... | | -54.03 | Sale |
| ILLINOIS TOOL WORKS INC / CUSIP: 452308109 / Symbol: ITW | | | | | | | | |
| 2 transactions for 01/06/15. Total proceeds and cost reported to the IRS. | | | | | | | | |
| | 25.000 | 2,070.81 | 03/20/14 | 1,577.64 | ... | | 493.17 | Sale |
| | 50.000 | 4,141.62 | 09/24/14 | 3,909.32 | ... | | 232.30 | Sale |
| 01/06/15 | 75.000 | 6,212.43 | VARIOUS | 5,486.96 | ... | | 725.47 | Total of 2 transactions |
| L Brands Inc / CUSIP: 501797104 / Symbol: LB | | | | | | | | |
| 01/31/15 | 32.000 | 1,673.89 | 08/08/14 | 1,914.32 | ... | | -240.43 | Sale |
| LORILLARD INC COM / CUSIP: 544147101 / Symbol: LO | | | | | | | | |
| 09/27/15 | 41.000 | 2,511.24 | 09/24/14 | 1,836.25 | ... | | 674.99 | Sale |

SALES TRANSACTIONS ON SAMPLE FORM 1099-B

How Taxpayers Report Capital Gains



- Individuals/partnerships report cost basis of any securities sold in year on **Form 8949** – *if* brokerage & individual/partnership records do not match.
- May also disclose on Form 8949 if amounts reported by individual/partnership:
 - **Don't match** what brokerage reports.
 - **Aren't reported** by brokerage.

What If Basis Doesn't Match Brokerage?



- If capital gains/cost basis reported to IRS by brokerage firm doesn't match your records, **do not panic**.
- IRS expects brokerage will **not** have records for all securities, such as:
 - Equity lots purchased prior to 2010.
 - DRIPs, ETFs, mutual funds purchased prior to 2011.
 - Security lots transferred into account.
 - Using different (but still acceptable to IRS) method of calculating basis on merger/acquisition/spinoff of stock.
- If basis is not known by brokerage, you may be able to report it to them—contact brokerage to see what they allow.

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Reconciling Basis Differences



- myICLUB.com's Federal Club Tax Printer will calculate basis & amounts of all gains.
 - Compare these to values on Form 1099-B.
- IRS Form 8949 allows you to reconcile differences.
 - Be sure to have explanations ready if IRS replies with request for more information.
- You will not suffer consequences from reporting values that are different from brokerage's (assuming your records are correct).

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Lot Grouping in myICLUB.com Tax Printer



- If club sells security that is made up of several different tax lots, brokerage may report “Date Acquired” for sold security as “Various.”
 - This occurs with reinvested dividend purchases as well as
- **myICLUB.com Club Federal Tax Printer** will allow you to group these lots into single entry to match Form 1099-B.

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Questions?



- First, check Frequently Asked Questions (FAQ):
www.iclub.com/faq/
- Second, request online support: www.iclub.com/support/
- Third, call support line: 1-877-33-ICLUB
 - Open 9:30 AM to 6:00 PM ET, Monday – Friday.
 - Busiest day is Monday – *plan accordingly!*