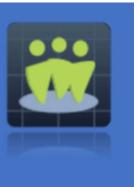
# **Understanding Brokerage-Reported Tax Basis on Sold Securities**

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## Capital Gains Reporting to IRS

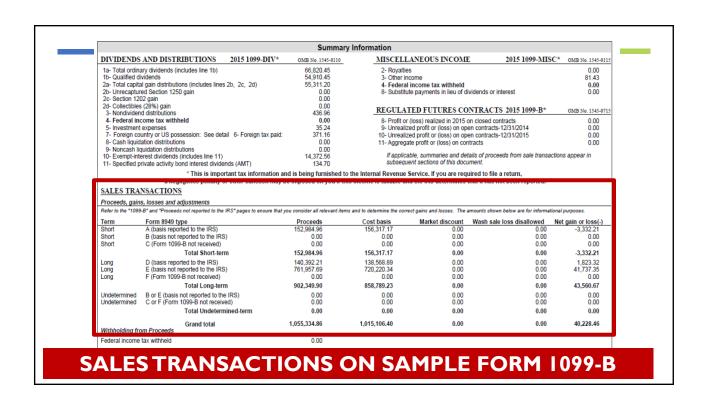


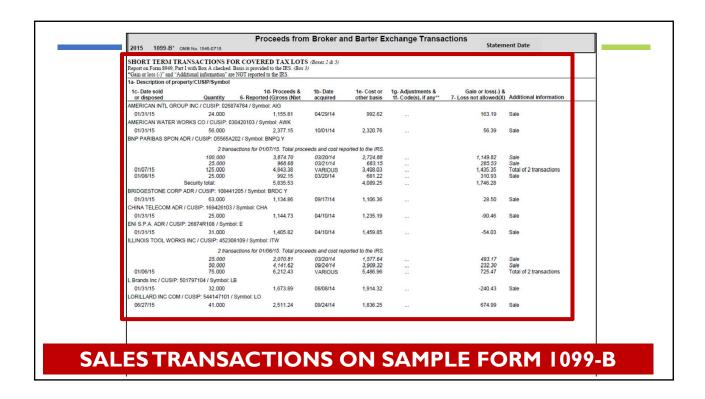
- Brokerage firms are required by IRS to track cost basis of customers' securities, & report basis of any sold securities to IRS & customer.
- Brokerages must provide <u>Form 1099-B</u> to IRS & customers by February 15 each year.
  - This has all details of capital gains & losses for securities sold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

#### 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.





## How Taxpayers Report Capital Gains



- Individuals/partnerships report cost basis of any securities sold in year on <u>Form 8949</u> – *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).

# Lot Grouping in mylCLUB.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
- mylCLUB.com Club Federal Tax Printer will allow you to group these lots into single entry to match Form 1099-B.

#### Questions?



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