

Tax Reporting Alert



COST BASIS TAX REPORTING CHANGES

The federal government put new tax reporting requirements into place as part of the Emergency Economic Stabilization Act of 2008. The purpose of the legislation was to make sure that investors accurately report gains and losses on securities when they file their taxes and to simplify tax preparation for your clients.

This year will be the first time that custodians will report cost basis information to the IRS for "covered" securities on Form 1099-B. "Covered" securities include equities acquired on or after Jan. 1, 2011. Mutual funds and exchange-traded funds will not become "covered" securities until after Jan. 1, 2012 and fixed income not until Jan. 1, 2013. Therefore, for "uncovered" securities-that is, any security acquired before the effective dates-Schwab will still report the cost basis to your client but not to the IRS.

Starting in late January 2012, broker-dealers will provide your clients with updated year-end tax reporting for 2011 via revised Form 1099 Composites. We have attached a sample version of Charles Schwab's Form 1099-B to familiarize you with the new look. You will notice that the Form 1099 Composite will have a Year-End Summary section with year-end gain/loss data to help make tax preparation easier. Your clients will no longer receive separate Year-End Gain/Loss Reports from Charles Schwab or Powers Capital.

In instances where we have mutual clients, we recommend that you discuss with them the option to sign an opt-in form with Powers Capital to give us the authorization to send 1099 and other tax-related forms directly to you to assist you with their tax preparation.

If you would like to further discuss the new cost basis legislation and reporting requirements, Powers Capital is here to assist you.

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