



**COST BASIS REPORTING
GUIDELINES**

VOLUME I

Revision 2.0

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Cost Basis Reporting Guidelines

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The STA would also like to recognize Bayshore's contribution to the completion of this document.



Cost Basis Reporting Guidelines

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**Pages 37 – 40 Scenario 7 (Acct B) and (Acct C) have been modified in Rev. 2.0*



Cost Basis Reporting Guidelines

OVERVIEW:

This document is organized into multiple sets of scenarios that represent actual transfer requests from member firms of the Securities Transfer Association. Each individual example has been selected to highlight how the new Cost Basis Reporting regulations will impact the detailed history of lot activity that will be required to be maintained on a taxpayer basis going forward.

Scenarios have been grouped in “like” sets of transactions to facilitate review and to allow the reader to identify common themes across the examples that can be applied to their own business processes and operations.

Each section contains:

- Summary of Expected Results
- An Account Key (the “before” picture of the account)
- Individual Scenarios
- Example spreadsheets highlighting what you would expect to see as the resulting transaction history and the existing tax lot data for the account post-processing.

The examples provided serve as *guidance* on how the new IRS regulations may impact the recording and reporting of cost basis for Transfer Agents going forward from the effective date of the rules. We have endeavored to make these examples as generic as possible so that they could be applied to most processing environments. These examples are intended to be a starting point for Transfer Agents to develop their own policies and procedures that reflect their unique operating requirements.

These guidelines are not designed to be a substitute for individual Transfer Agent policies, procedures and/or system requirements and should not be construed as tax advice. It is recommended that each agent review their current operating environment to identify changes and/or enhancements to their standard operating procedures based on the requirements of the rule and the guidance provided by their own accounting, tax and legal experts.

For the purposes of these guidelines, any shares acquired before the effective date of IRS Regulation 101896-09 (1/1/2011 for shares of stock held in certificate or book entry; 1/1/2012 for shares of stock held in Dividend Reinvestment Plans) are deemed to be “*noncovered*”. In other words, there is no requirement for the cost basis to be recorded, carried forward or reported. All shares acquired after the effective date, including transfers in, deposits, cash contributions and dividend reinvestment shares are required to carry forward the all the relevant cost basis information at the individual lot level.



Cost Basis Reporting Guidelines

OVERVIEW (Cont'd.):

In addition, for any sale of shares purchased after the above effective dates, 1099B reporting requires lot specific data on cost basis of shares sold and if the gain or loss is considered to be short or long-term. *For the purposes of these guidelines, we are only dealing with the reporting of cost basis on any sell transactions, i.e., the guidelines do not cover the calculation of any gains/losses and their characterization as either short or long-term. However, for corporate actions and certain “gift scenarios”, we have shown examples of gain/loss calculations to assist the user in understanding the ultimate outcome of the recorded cost basis data. In some scenarios, we have provided illustrations of what the new prototype 1099-B form would look like with cost basis information. These examples are not a substitute for tax advice and depending on the values used, the gain/loss outcomes may be different.*

SUMMARY EXPECTED RESULTS:

- For a Transfer of shares from an individual (single) account to a joint account with the same taxpayer-id (TIN), the cost basis data will carry forward to the new account for all covered securities. For securities acquired before the effective date of IRS regulation 101896-09, e.g., “*noncovered securities*”, there is no requirement to record, carry forward or report cost basis when transferring shares between accounts on the books of the Transfer Agent.
- For a Transfer of shares from an individual (single) account to a new account with a different taxpayer-id (TIN), one of the following may apply:
 - Absent *any* instructions from the presenter other than to transfer shares to a new registration, then the IRS’ current guidance is to treat the transfer as a *gift*. In this case, the date of gift will be the date the transfer was processed and the Fair Market Value (FMV) on the date of the gift will be calculated by lot and recorded on the existing lot history in the new account. For publicly traded securities, the IRS defines the FMV on a particular day to be the average of the high and low prices. In addition, the Donor’s acquisition date and adjusted cost basis will carry forward to the new account for all covered securities. A gift indicator must be applied to the tax lot in the new account.
 - If the presenter indicates that the transfer is a gift but provides no other instructions, i.e., date of the gift, then the date of the gift will be the date the transfer was processed and the Fair Market Value (FMV) will be recorded as of that date. The Donor’s acquisition date and adjusted cost basis will carry forward to the new account for all covered securities. A gift indicator must be applied to the tax lot in the new account.
 - If the presenter indicates that the transfer is a gift and provides information about the date of the gift and the value, the TA may accept it.
 - If the transfer is due to a death, then the transferred shares will be treated as *inherited*. Absent any instructions related to the transfer, final IRS guidance is for the TA to record the Date of Death (DoD) and adjust the cost basis (stepped up basis) to reflect the Fair Market Value (FMV) of the shares on the Date of Death (DoD).
 - If the TA cannot determine the Fair Market Value (FMV) of the shares on the Date of Death (DoD), then the TA may treat the shares as a “noncovered” security. An inherited indicator must be applied to the tax lot in the new account.
 - The TA must maintain an “inherited” indicator on these shares for both the initial and any subsequent transfers.
- Dividend Reinvestment Plans (DRP) – The IRS Regulations [Section 1012(d)(4)(A)] provide that a plan qualifies as a DRP if the written plan documents require that at least 10% of every dividend paid on any share designated to be reinvested is reinvested in identical stock. For the purposes of our scenarios, we are assuming that all DRP plans meet the IRS 10% reinvestment criteria, are not covered in 2011, and are eligible for Average Cost. Per the final Regulations, DRP plans that don’t meet the criteria are deemed to be covered securities in 2011 and are not eligible for Average Cost.

SUMMARY EXPECTED RESULTS (Cont'd.):

- For a Transfer of a specified number of shares from a Joint Account to an Individual (single) Account due to a court order, i.e., divorce, one of the following may apply:
 - If the instructions do not identify specific tax lots to be transferred, then the cost basis data from each tax lot will be moved proportionally from the Joint Account to the new Single Account.
 - If the instructions identify *specific tax lots*, then the cost basis data from those lots will be moved from the Joint Account and applied to the Single Account. The final Regulations retain the requirement for written confirmation of all sales and transfers of specifically-identified stock as a reasonable safeguard that specific identification orders are properly executed. However, in response to comments, the final regulations provide that account statements or other periodic documents a broker or agent provides a taxpayer may serve as written confirmation if provided within a reasonable time after the sale or transfer.
- For a Deposit of certificates to either book or plan with no change in ownership, all of the cost basis data will carry forward.

STAI Member Firms, for the purpose of cost basis, have elected to treat shares deposited in certificate form to a DRP as Plan Shares. Therefore, these shares can be included in the calculation of average cost if this is the basis the owner has elected.

- A request to Certificate book shares will carry forward all the cost basis data associated with those lots for all covered securities. The total number of shares and cost basis will remain the same.
- A request to Certificate plan shares may result in one of the following:
 - If there are only full plan shares, then for the shares issued in certificate form, all cost basis data would carry forward and the total number of shares and total cost basis would remain the same.
 - If there are full and fractional plan shares, the whole shares could be issued in certificate form and all the cost basis data would carry forward for covered securities. The fractional shares may remain in plan shares. The total number of shares and cost basis would remain the same.
 - If there are full and fractional plan shares, whole shares could be issued in certificate form and all cost basis data would carry forward for covered securities. Fractional shares may be sold.* In this case, the total number of shares and cost basis would reflect the sale of the fractional shares. In addition, the sale would be a 1099B reportable transaction.

*At this time, there is no specific IRS Guidance on the selection of lots from which to sell the fractional shares. The determination of whether or not the sale of fractional shares goes first or last is based on individual Transfer Agent practices.



Cost Basis Reporting Guidelines

COST BASIS REPORTING: SET I

The following section contains the following scenarios:

- Transfer from an individual (single) account registration to a joint account registration with the same TIN;
- Single Account Transfer – All Shares
- Profile move;
- 70/30 Account Split (Court Ordered)
- Issuance of certificate shares from either book or plan shares
- Deposit of certificate shares to either book or plan shares

Please Note – We have included spreadsheet representations for each of the scenarios. The next page in this document illustrates the “Beginning Account Values” that are used throughout the Transfer Scenario Section (Scenarios 1 – 12).



Cost Basis Reporting Guidelines

[Back to Scenarios](#)
[Back to Beginning Accounts](#)

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Aquis Date	Donors Cost Basis		
Acct# A	John Smith	Cert	A123	25	9/10/2010	Transfer		25	9/10/2010		uncovered	uncovered							
		Cert	A124	75	1/30/2014	Transfer		75	1/30/2014		\$750.000	\$10.000							
		Book	Book 1	45	2/5/2014	Transfer		45	2/5/2014		\$360.000	\$8.000							
		Book	Book 2	30	2/25/2014	Transfer		30	2/25/2014		\$225.000	\$7.500							
		Plan	Plan	15	3/21/2014	Cash Contribution		15	3/21/2014		\$116.250	\$7.750							
		Plan	Plan	10	6/21/2014	Cash Contribution		10	6/21/2014		\$70.000	\$7.000							
			200									\$1,521.250							

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Aquis Date	Donors Cost Basis		
Acct # B	Sue Jones	Cert	J424	30	3/1/2009	Transfer		30	3/1/2009		uncovered	uncovered							
			J555	40	2/15/2014	Transfer		40	2/15/2014		\$380.000	\$9.500							
			J888	75	6/10/2014	Transfer		75	6/10/2014		\$750.000	\$10.000							
			J999	25	7/10/2014	Transfer		25	7/10/2014		\$243.750	\$9.750							
					170									\$1,373.750					

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Aquis Date	Donors Cost Basis		
Acct # C	Bruce Anderson	Plan	Plan 1	100	1/1/2014	Cash Contribution		100	1/1/2014		\$2,392.800	\$23.928							
			Plan 2	1.416	3/1/2014	Div Rein @ .34		1.416	3/1/2014		\$33.882	\$23.928							
			Plan 3	1.421	6/1/2014	Div Rein @ .34		1.421	6/1/2014		\$34.002	\$23.928							
			Plan 4	50	6/15/2014	Cash Contribution		50	6/15/2014		\$1,196.400	\$23.928							
			Plan 5	2.284	9/1/2014	Div Rein @ .34		2.284	9/1/2014		\$54.652	\$23.928							
			Plan 6	2.244	12/1/2014	Div Rein @ .34		2.244	12/1/2014		\$53.694	\$23.928							
			157.365									\$3,765.430							

THE INFORMATION CONTAINED IN THIS DOCUMENT IS PROVIDED AS "GUIDANCE" FOR MEMBER TRANSFER AGENTS ON HOW TO CALCULATE AND REPORT COST BASIS. THIS INFORMATION IS NOT PROVIDED AS TAX GUIDANCE AND MEMBER ORGANIZATIONS SHOULD CONSULT WITH THEIR TAX ADVISORS TO ENSURE THAT THEIR FINAL PROCEDURES REFLECT THE LATEST DIRECTIVES FROM THE INTERNAL REVENUE SERVICE.



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 1 (Acct A): Single Account Transfer, All Shares to Joint Spousal Account

DESCRIPTION:

John Smith currently has an individual account with 200 shares held in Certificate, Book and Plan form. John recently married and would like to transfer his shares into a Joint Account in both his and his wife's name (Jane Smith).

DETERMINATION:

The new account will be registered with John and Jane Smith as Joint Tenants. John's Tax-ID number remains on the account. All available cost basis information should carry forward from John's original account to the new joint account. Depending on the Transfer Agent's procedures, all assets will continue to be held in like form, e.g., Certificate, Book and Plan shares or could be held in different form.

ACTIONS/RESULTS:

1. Certificate Shares – John has two certificates representing 100 shares:
 - a. A123 25 Shares Acquisition Date 9/10/2010 Cost “Noncovered”
 - b. A124 75 Shares Acquisition Date 1/21/2014 Cost \$750.00

The 25 shares acquired before 1/1/2011 are “noncovered” (Acquired before the effective date of IRS Rule 101896-09) so there is no need to carry forward any cost basis information (other than the noncovered indicator). The 75 shares are considered “covered” (acquired after the effective date), therefore, all of the available cost basis information for these shares will carry forward to the new account.

2. Book Shares – John has two lots representing 75 shares
 - a. 45 Shares Acquisition Date 2/5/2014 Cost \$360.00
 - b. 30 Shares Acquisition Date 2/25/2014 Cost \$225.00
3. Plan Shares – John has two lots acquired by “Cash Contribution” representing 25 Shares
 - a. 15 Shares Acquisition Date 3/21/2014 Cost \$116.25
 - b. 10 Shares Acquisition Date 1/21/2014 Cost \$ 70.00

4. After the transfer, John & Jane's joint account will have 200 shares with a total cost basis of \$1,521.25 held in the following form/lots:

Certificate Shares: One Certificate, B456, representing 100 shares in two lots:

- a. 25 Shares Acquisition Date 9/10/2010 Cost “Noncovered”
- b. 75 Shares Acquisition Date 1/21/2014 Cost \$750.00

Book Shares: One Book Entry representing 75 shares in two lots:

- a. 45 Shares Acquisition Date 2/5/2014 Cost \$360.00
- b. 30 Shares Acquisition Date 2/25/2014 Cost \$225.00

Plan Shares: One Plan Entry representing 25 shares in two lots:

- a. 15 Shares Acquisition Date 3/21/2014 Cost \$116.25
- b. 10 Shares Acquisition Date 1/21/2014 Cost \$ 70.00

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 1 (Acct B): Single Acct Transfer, All Shares to New Account – Like Names, TIN

DESCRIPTION:

Sue Jones has an existing individual account with 170 shares held in certificate form. Sue would like to transfer her shares into an account with her sister, Jean Jones.

DETERMINATION:

The new account will be registered in the names of Sue Jones and Jean Jones. Sue's Tax-ID number remains on the account. All available cost basis should carry forward from Sue's individual account to the new account. Sue and Jean would like the Transfer Agent to re-issue shares in certificate form (170 shares) under the new registration.

ACTIONS/RESULTS:

1. Certificate Shares – Sue has four certificates representing 170 shares:
 - a. J424 30 Shares Acquisition Date 3/1/2009 Cost “Noncovered”
 - b. J555 40 Shares Acquisition Date 2/15/2014 Cost \$380.00
 - c. J888 75 Shares Acquisition Date 6/10/2014 Cost \$750.00
 - d. J999 25 Shares Acquisition Date 7/10/2014 Cost \$243.75
2. The 30 shares Acquisition Date 3/1/2009 are deemed to be “noncovered” (acquired before the effective date of IRS Rule 101896-09) so there is no need to record or carry forward any cost basis information. For the remaining certificates, it will be necessary to carry forward all of the available cost basis information to the new account.*
3. After the transfer, Sue and Jean will have an account with a single certificate representing 170 shares with four individual tax lots:
 - a. B789 170 Shares Effective Date of 1/15/2015 represented by the following tax lots:

30 Shares	Acquisition Date 3/1/2009	Cost “Noncovered”
40 Shares	Acquisition Date 2/15/2014	Cost \$380.00
75 Shares	Acquisition Date 6/10/2014	Cost \$750.00
25 Shares	Acquisition Date 7/10/2014	Cost \$243.75
4. The total number of shares (170) and the total cost basis (\$1,373.75) will be the same pre and post-transfer.

*If the original account has an indicator that the shares were either gifted or inherited, then that indicator, FMV on Gift Date and Donor Basis and Donor Acquisition date would carry forward as well.



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 1 (Acct C): Single Account Transfer, All Shares to Joint Spousal Account, Different Names, Same TIN

DESCRIPTION:

Bruce Anderson has an individual (single) account with 157.365 Shares held in Plan form. Bruce recently married Daisy Duke (Daisy is retaining her name) and would like to transfer his shares to a new Joint Account in both their names.

DETERMINATION:

The new account will be registered to Bruce Anderson and Daisy Duke. Bruce's Tax-ID number remains on the account. All required cost basis information should carry forward from Bruce's original account to the new account. All assets will continue to be held in Plan form.

ACTIONS/RESULTS:

1. Plan Shares – Bruce currently has 157.365 shares representing six lots that were acquired through a combination of Cash Contributions and Dividend Reinvestment:

a. 100 Shares	Acquisition Date 1/1/2014	Cost \$2,392.800
b. 1.416 Shares	Acquisition Date 3/1/2014	Cost \$ 33.882
c. 1.421 Shares	Acquisition Date 6/1/2014	Cost \$ 34.002
d. 50 Shares	Acquisition Date 6/15/2014	Cost \$1,196.400
e. 2.284 Shares	Acquisition Date 9/1/2014	Cost \$ 54.652
f. 2.244 Shares	Acquisition Date 12/1/2014	Cost \$ 53.694
2. After the transfer, Bruce and Daisy's account will have one entry for 157.365 shares with an effective date of 1/15/2015 represented by six individual tax lots:

a. 100 Shares	Acquisition Date 1/1/2014	Cost \$2,392.800
b. 1.416 Shares	Acquisition Date 3/1/2014	Cost \$ 33.882
c. 1.421 Shares	Acquisition Date 6/1/2014	Cost \$ 34.002
d. 50 Shares	Acquisition Date 6/15/2014	Cost \$1,196.400
e. 2.284 Shares	Acquisition Date 9/1/2014	Cost \$ 54.652
f. 2.244 Shares	Acquisition Date 12/1/2014	Cost \$ 53.694

The total number of shares (157.365) and the total cost basis (\$3,765.430) will be the same pre and post-transfer. All cost basis information will carry forward because all shares are considered to be covered, e.g., acquired after the effective date of IRS Regulation 101896-09.



Cost Basis Reporting Guidelines

[SCENARIOS LIST](#)
[BEGINNING ACCOUNT DATA](#)

Scenario 1 Single account transfer all shares to Joint account with spouse
Determination Transfer to accounts with like name and same TIN should carry all cost basis forward
Assumption Assets continue to be held in like form (Cert,Book,Plan)

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
Acct A	John & Jane Smith Jt ten	Cert	B456	100	1/15/2015	Transfer		25	9/10/2010	NA	Uncovered	uncovered	NA	NA	NA	NA	NA	
								75	1/30/2014	NA	750.000	10.000	NA	NA	NA	NA		
		Book	Book 1	75	1/15/2015	Transfer		45	2/5/2014	NA	360.000	8.000	NA	NA	NA	NA	NA	NA
								30	2/25/2014	NA	225.000	7.500	NA	NA	NA	NA		
		Plan	Plan 1	25	1/15/2015	Deposit		15	3/21/2014	NA	116.250	7.750	NA	NA	NA	NA	NA	NA
								10	6/21/2014	NA	70.000	7.000	NA	NA	NA	NA		
Total Current Cost Basis:											\$1,521.250							

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
Acct B	Sue Jones & Jean Jones	Cert	B789	170	1/15/2015	Transfer		30	3/1/2009	NA	uncovered	uncovered	NA	NA	NA	NA	NA	
								40	2/15/2014	NA	380.000	9.500	NA	NA	NA	NA		
								75	6/10/2014	NA	750.000	10.000	NA	NA	NA	NA		
								25	7/10/2014	NA	243.750	9.750	NA	NA	NA	NA		
								Total Current Cost Basis:										

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
Acct C	Bruce Anderson & Daisy Duke	Plan	Plan	157.365	1/15/2015	Deposit		100	1/1/2014	NA	2,392.800	23.928	NA	NA	NA	NA	NA	
								1,416	3/1/2014	NA	33.882	23.928	NA	NA	NA	NA		
								1,421	6/1/2014	NA	34.002	23.928	NA	NA	NA	NA		
								50	6/15/2014	NA	1,196.400	23.928	NA	NA	NA	NA		
								2,284	9/1/2014	NA	54.652	23.928	NA	NA	NA	NA		
								2,244	12/1/2014	NA	53.694	23.928	NA	NA	NA	NA		
Total Current Cost Basis:											\$3,765.430							

If agents system can differentiate effective date from Acquisition date in the Plan, Agent may transfer lot for lot into new account
 * Cost per share for reference only

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 2 (Acct A): Transfer all shares via DTC Profile to a broker/dealer.

DESCRIPTION:

John and Jane Smith are transferring their book and plan shares to XYZ Broker/Dealer. Their broker has submitted a “Move All” request via the DRS Profile system.

DETERMINATION:

The TA will deliver any full book and plan shares via DTC to the broker/dealer through the DRS Profile system. John and Jane’s stock certificate will remain outstanding on the TA’s Books. All available cost basis information related to the shares delivered via DRS Profile must be delivered to the receiving broker on a “Transfer Statement” within 15 days of the DRS Profile Move.

ACTIONS/RESULTS:

1. This broker/dealer will receive 100 shares via DRS Profile. A “Transfer Statement” will be delivered to the broker within 15 days of the share delivery. This “Transfer Statement” will contain cost basis information for four individual tax lots (as well as other information required by the regulation):
 - a. 45 Shares Acquisition Date 2/5/2014 Cost \$360.00
 - b. 30 Shares Acquisition Date 2/25/2014 Cost \$225.00
 - c. 15 Shares Acquisition Date 3/21/2014 Cost \$116.25
 - d. 10 Shares Acquisition Date 6/21/2014 Cost \$ 70.00
2. John and Jane’s account will continue to have 100 Certificate shares remaining in two tax lots:
 - a. 25 Shares Acquisition Date 9/10/2010 Cost “Noncovered”
 - b. 75 Shares Acquisition Date 1/30/2014 Cost \$750.00



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 2 (Acct C): Transfer all shares via DTC Profile to a broker/dealer.

DESCRIPTION:

Bruce Anderson is consolidating all his holdings with his new broker/dealer. His broker has submitted a “Move All/Sell Frac” request via the DRS Profile System.

DETERMINATION:

Bruce Anderson currently has 157.365 shares held in DRP Account at the Transfer Agent. The shares are represented by six individual tax lots. His broker has requested that his full shares be transferred to his broker/dealer and any remaining fractional shares be sold. All of Bruce’s shares are considered covered (acquired after the effective date of IRS Regulation 101896-09). Bruce had elected *average cost* as his basis in his existing DRP account.

ACTIONS/RESULTS:

- The electronic transfer instructions to the broker/dealer do not distinguish between book and plan shares, therefore, the transfer will be done as one Asset Lot for 157 shares, effective 1/15/2015. A “Transfer Statement” will be delivered to the broker within 15 days of the share delivery. This “Transfer Statement” will contain cost basis information for four individual tax lots (as well as other information required by the regulation):

100 Shares	Acquisition Date 1/1/2014	Cost \$2,392.800
1.416 Shares	Acquisition Date 3/1/2014	Cost \$ 33.882
1.421 Shares	Acquisition Date 6/1/2014	Cost \$ 34.002
50 Shares	Acquisition Date 6/15/2014	Cost \$1,196.400
2.284 Shares	Acquisition Date 9/1/2014	Cost \$ 54.652
1.879 Shares	Acquisition Date 12/1/2014	Cost \$ 44.961
- The TA will sell the .365 shares* on 1/15/2015 from the lot with the Acquisition Date of 12/1/2014 with an average cost basis of \$23.928 (\$53.694/2.244sh) reportable on 1099B.

*There is no specific IRS guidance on whether to sell fractional shares first or last. However, when using Average Cost method, share lots must be depleted using the First In First Out (FIFO) method. The determination of whether or not the sale of fractional shares goes first or last is based on individual Transfer Agent practices. In this example, we have sold the fractional shares from the last lot.



Cost Basis Reporting Guidelines

[SCENARIOS LIST](#)
[BEGINNING ACCOUNT DATA](#)

Scenario 2 Move all Sell Fracs DRS. DRS does not allow for specific share ID
Determination Move all shares FIFO sell is applied to the fraction of oldest lot. Shareholder avoids short term gain. Cost basis delivered to broker
 No cost basis transfers to Nominee accounts

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis		
Acct A	John & Jane Smith Joint Tenant	Cert	A123	25	9/10/2010	Transfer		25.000	Uncovered		Uncovered								
		Cert	A124	75	1/30/2014	Transfer		75.000	1/30/2014		675.000	9.000							
	PROFILE MOVE CBRS		Book	Book 1	45	2/5/2014	Transfer	1/15/2015	Profile Move										
			Book	Book 2	30	2/25/2014	Transfer	1/15/2015	Profile Move										
			Plan	Plan	15	3/21/2014	Cash Contribution	1/15/2015	Profile Move										
			Plan	Plan	10	6/21/2014	Cash Contribution	1/15/2015	Profile Move										
			Asset level				CBRS File												
			Global	Book	100	1/15/2014	Profile Move		Tax lot level	45.000	2/5/2014		360.000	8.000					
										30.000	2/25/2014		225.000	7.500					
										15.000	3/21/2014		116.250	7.750					
							10.000	6/21/2014		70.000	7.000								

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct B		N/A no book shares															

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
Acct C	Bruce Anderson	Plan	Plan 1	100	1/1/2014	Cash Contribution												
		Plan 2	1.416	3/1/2014	div rein @ .34													
		Plan 3	1.421	6/1/2014	div rein @ .34													
		Plan 4	50	6/15/2014	Cash Contribution													
		Plan 5	2.284	9/1/2014	div rein @ .34													
		Plan 6	2.244	12/1/2014	div rein @ .34													
		Plan 7	157	1/15/2015	Transfer out													
		Plan 8	0.365	1/18/2015	Sell													
										1099 B Reportable	0.365	12/01/14		8.734	23.928			
		PROFILE MOVE CBRS		3 file Asset level				Tax lot Level										
Global	Book			157	1/15/2015	Profile Move			100	1/1/2014	NA	2,392.800	\$23.928					
									1.416	3/1/2014	NA	33.882	\$23.928					
									1.421	6/1/2014	NA	34.002	\$23.928					
									50	6/15/2014	NA	1,196.400	\$23.928					
									2.284	9/1/2014	NA	54.652	\$23.928					
									1.875	12/1/2014	NA	44.865	\$23.928					

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 3 (Acct A): Joint account – court order to transfer 70/30 effective 1/15/2015.

DESCRIPTION:

John and Jane Smith currently have a joint account with 200 shares held in Certificate, Book and Plan form with a total cost basis attributable to the covered shares of \$1,521.25.

Unfortunately, John and Jane have divorced and a court order has been granted instructing their shares to be split 70% to John and 30% to Jane. John has sent in a copy of the court order and their certificate, B456 for 100 shares, to be included as part of the transfer.

DETERMINATION:

The TA will establish two new individual (single) book-entry accounts – one in the name of John Smith and one in the name of Jane Smith. Because there were no specific instructions regarding tax lots to transfer, the TA will process the request *proportionately*. After the transfer, John and Jane’s joint account will have a zero balance – all shares debited.

ACTIONS/RESULTS:

1. John & Jane’s joint account currently has 200 shares with a total cost basis of \$1,521.25 held in the following:
 - Certificate Share(s): One Certificate, B456, representing 100 shares in two lots:
 - a. 25 Shares Acquisition Date 9/10/2010 Cost “Noncovered”*
 - b. 75 Shares Acquisition Date 1/21/2014 Cost \$750.00
 - *These shares were acquired prior to the effective date of IRS Rule 101896-09 and are deemed to be “*noncovered*” so there is no need to record or carry forward any cost basis information.
 - Book Share(s): 75 shares represented by two tax lots:
 - a. 45 Shares Acquisition Date 2/5/2014 Cost \$360.00
 - b. 30 Shares Acquisition Date 2/25/2014 Cost \$225.00
 - Plan Share(s): 25 shares represented by two lots:
 - a. 15 Shares Acquisition Date 3/21/2014 Cost \$116.25
 - b. 10 Shares Acquisition Date 6/21/2014 Cost \$ 70.00
2. The TA will open two new single book-entry accounts, and process the 70/30 account split transfer request. All of the cost basis data will carry forward to the new account proportionately for each tax lot as well.
 - John Smith’s New Individual (Single) Account will have 140 Shares with a Total Cost Basis of \$1,064.875 represented by six tax lots as follows:

17.5 Shares	Acquisition Date 9/10/2010	Cost “Noncovered”
52.5 Shares	Acquisition Date 1/21/2014	Cost \$ 525.000
31.5 Shares	Acquisition Date 2/5/2014	Cost \$ 252.000
21.0 Shares	Acquisition Date 2/25/2014	Cost \$ 157.500
10.5 Shares	Acquisition Date 3/21/2014	Cost \$ 81.375
7.0 Shares	Acquisition Date 6/21/2014	Cost \$ 49.000

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 3 (Acct A) Cont'd: Joint account – court order to transfer 70/30 effective 1/15/2015.

Jane Smith's New Individual (Single) Account will have 60 Shares with a Total Cost Basis of \$456.375 represented by six tax lots as follows:

7.5 Shares	Acquisition Date 9/10/2010	Cost "Noncovered"
22.5 Shares	Acquisition Date 1/21/2014	Cost \$ 225.000
13.5 Shares	Acquisition Date 2/5/2014	Cost \$ 108.000
9.0 Shares	Acquisition Date 2/25/2014	Cost \$ 67.500
4.5 Shares	Acquisition Date 3/21/2014	Cost \$ 34.875
3.0 Shares	Acquisition Date 6/21/2014	Cost \$ 21.000



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 3 (Acct B): Joint account – court order to transfer 70/30 effective 1/15/2015.

DESCRIPTION:

Sue and Jean Jones currently have a joint account with 170 shares held in Certificate form with a total cost basis of \$1,373.75. Sue and Jean are under a court order to split their shares 70% to Sue and 30% to Jean. Sue has sent a copy of the court order along with their certificate, B789 for 170 shares, to be deposited as part of the transfer. Both women would like their new account shares to be issued in Certificate form after the transfer.

DETERMINATION:

The TA will establish two new individual (single) accounts – one in the name of Sue Jones – one in the name of Jean Jones. Because there were no specific instructions regarding tax lots to transfer, the TA will process the request *proportionately*. After the transfer, Sue and Jean’s joint account will have a zero balance.

ACTIONS/RESULTS:

1. Sue and Jean’s joint account currently has 170 shares with a total cost basis of \$1,373.75 held in one certificate, B789, represented by four tax lots:
 - a. 30 Shares Acquisition Date 3/1/2009 Cost “Noncovered”*
 - b. 40 Shares Acquisition Date 2/15/2014 Cost \$380.000
 - c. 75 Shares Acquisition Date 6/10/2014 Cost \$ 750.000
 - d. 25 Shares Acquisition Date 7/10/2014 Cost \$ 243.750

*These shares were acquired prior to the effective date of IRS Rule 101896-09 and are deemed to be “*noncovered*” so there is no need to record or carry forward any cost basis information.

2. The TA will open two new single accounts, and process the 70/30 account split transfer request. All cost basis data will carry forward for each tax lot reflecting the shares and cost basis proportionately.

Sue Jones’ New Individual (Single) Account will have 119 Shares in Certificate form (C456) with a Total Cost Basis of \$961.625 represented by four tax lots as follows:

21 Shares	Acquisition Date 3/1/2009	Cost “Noncovered”*
28 Shares	Acquisition Date 2/15/2014	Cost \$ 266.000
52.5 Shares	Acquisition Date 6/10/2014	Cost \$ 525.000
17.5 Shares	Acquisition Date 7/10/2014	Cost \$ 170.625

Jean Jones’ New Individual (Single) Account will have 51 Shares in Certificate form (C457) with a Total Cost Basis of \$412.125 represented by four tax lots as follows:

9 Shares	Acquisition Date 3/1/2009	Cost “Noncovered”*
12 Shares	Acquisition Date 2/15/2014	Cost \$ 114.000
22.5 Shares	Acquisition Date 6/10/2014	Cost \$ 225.000
7.5 Shares	Acquisition Date 7/10/2014	Cost \$ 73.125

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 3 (Acct C): Joint account – court order to transfer 70/30 effective 1/15/2015.

DESCRIPTION:

Bruce Anderson and Daisy Duke currently have a joint DRP account with 157.365 Plan shares with a total cost basis of \$3,765.43, using the average cost method. Bruce and Daisy are under a court order to split their shares 70% to Bruce and 30% to Daisy. Both Bruce and Daisy have indicated they would like to continue in the DRP plan.

DETERMINATION:

The TA will establish two new individual (single) DRP accounts – one in the name of Bruce Anderson – one in the name of Daisy Duke. Because there were no specific instructions regarding tax lots to transfer, the TA will process the request *proportionately*. After the transfer, Bruce and Daisy’s joint account will have a zero balance.

ACTIONS/RESULTS:

1. Bruce and Daisy’s joint account currently has 157.365 Plan shares represented by the following six lots:

a.	100 Shares	Acquisition Date 1/1/2014	Cost	\$2,392.800
b.	1.416 Shares	Acquisition Date 3/1/2014	Cost	\$ 33.882
c.	1.421 Shares	Acquisition Date 6/1/2014	Cost	\$ 34.002
d.	50 Shares	Acquisition Date 6/15/2014	Cost	\$1,196.400
e.	2.284 Shares	Acquisition Date 9/1/2014	Cost	\$ 54.652
f.	2.244 Shares	Acquisition Date 12/1/2014	Cost	\$ 53.694
				\$3,765.430
2. The TA will open two new single accounts and process the 70/30 account split transfer request. All average cost basis data will carry forward for each tax lot reflecting the shares and cost basis proportionately.

Bruce Anderson’s New Individual (Single) Account will have 110.156 Plan shares with a Total Cost Basis of \$2,635.813 represented by six tax lots as follows:

70 Shares	Acquisition Date 1/1/2014	Cost	\$1,674.960
0.991 Shares	Acquisition Date 3/1/2014	Cost	\$ 23.713
0.995 Shares	Acquisition Date 6/1/2014	Cost	\$ 23.808
35 Shares	Acquisition Date 6/15/2014	Cost	\$ 837.480
1.599 Shares	Acquisition Date 9/1/2014	Cost	\$ 38.261
1.571 Shares	Acquisition Date 12/1/2014	Cost	\$ 37.591
			\$2,635.813

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 3 (Acct C) Cont'd: Joint account – court order to transfer 70/30 effective 1/15/2015.

Daisy Duke's New Individual (Single) Account will have 47.209 Plan shares with a Total Cost Basis of \$1,129.617 represented by six tax lots as follows:

30 Shares	Acquisition Date 1/1/2014	Cost \$ 717.840
0.425 Shares	Acquisition Date 3/1/2014	Cost \$ 10.169
0.426 Shares	Acquisition Date 6/1/2014	Cost \$ 10.193
15 Shares	Acquisition Date 6/15/2014	Cost \$ 358.920
0.685 Shares	Acquisition Date 9/1/2014	Cost \$ 16.391
0.673 Shares	Acquisition Date 12/1/2014	Cost \$ 16.104
		<u>\$ 1,129.617</u>



Cost Basis Reporting Guidelines

[SCENARIOS LIST](#)
[BEGINNING ACCOUNT DATA](#)

Scenario 3 Joint account court order to transfer 70/30. Shareholder has provided breakdown of shares but has not identified tax lots
Determination Cost Basis should be recorded proportionately lot by lot as part of the underlying data

Results of transaction All original accounts closed all lots and certs debited as of 1/15/2015

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Date For wash Sales	Acquis Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct A.1 (New) <i>No investment direction</i>	John Smith	Book Entry	Book	140	1/15/2012	Transfer		17.5	9/10/2010	NA	uncovered	uncovered	NA	NA	NA	NA	NA
								52.5	1/30/2014	NA	525.000	\$10.00	NA	NA	NA	NA	
								31.5	2/5/2014	NA	252.000	\$8.00	NA	NA	NA	NA	
								21	2/25/2014	NA	157.500	\$7.50	NA	NA	NA	NA	
								10.5	3/21/2014	NA	81.375	\$7.75	NA	NA	NA	NA	
								7	6/21/2014	NA	49.000	\$7.00	NA	NA	NA	NA	
Total Current Cost Basis:											\$1,064.875						
Acct A.2 (New) <i>No investment direction</i>	Jane Smith	Book Entry	Book	60	1/15/2012	Transfer		7.5	9/10/2010	NA	uncovered	uncovered	NA	NA	NA	NA	NA
								22.5	1/30/2014	NA	225.000	\$10.00	NA	NA	NA	NA	
								13.5	2/5/2014	NA	108.000	\$8.00	NA	NA	NA	NA	
								9	2/25/2014	NA	67.500	\$7.50	NA	NA	NA	NA	
								4.5	3/21/2014	NA	34.875	\$7.75	NA	NA	NA	NA	
								3	6/21/2014	NA	21.000	\$7.00	NA	NA	NA	NA	
Total Current Cost Basis:											\$456.375						

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Date For wash Sales	Acquis Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct B.1 (New) <i>Assume cert request</i>	Sue Jones	Cert	C456	119	1/15/2015	Transfer		21	3/1/2009	NA	uncovered	uncovered	NA	NA	NA	NA	NA
								28	2/15/2014	NA	266.000	\$9.50	NA	NA	NA	NA	
								52.5	6/10/2014	NA	525.000	\$10.00	NA	NA	NA	NA	
								17.5	7/10/2014	NA	170.625	\$9.75	NA	NA	NA	NA	
										NA			NA	NA	NA	NA	
Total Current Cost Basis:											\$961.625						
Acct B.2 (New) <i>Assume cert request</i>	Jean Jones	Cert	C457	51	1/15/2015	Transfer		9	3/1/2009	NA	uncovered	uncovered	NA	NA	NA	NA	NA
								12	2/15/2014	NA	114.000	\$9.50	NA	NA	NA	NA	
								22.5	6/10/2014	NA	225.000	\$10.00	NA	NA	NA	NA	
								7.5	7/10/2014	NA	73.125	\$9.75	NA	NA	NA	NA	
Total Current Cost Basis:											\$412.125						

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Date For wash Sales	Acquis Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct C.1 (New) <i>Assume DRP elected</i>	Bruce Anderson	Plan	Plan	110.16	1/15/2015	Deposit		70	1/1/2014	NA	1,674.960	\$23.928	NA	NA	NA	NA	NA
								0.991	3/1/2014	NA	23.713	\$23.928	NA	NA	NA	NA	
								0.995	6/1/2014	NA	23.808	\$23.928	NA	NA	NA	NA	
								35	6/15/2014	NA	837.480	\$23.928	NA	NA	NA	NA	
								1.599	9/1/2014	NA	38.261	\$23.928	NA	NA	NA	NA	
								1.571	12/1/2014	NA	37.591	\$23.928	NA	NA	NA	NA	
								Total Current Cost Basis:									
Acct C.2 (New) <i>Assume DRP elected</i>	Daisy Duke	Plan	Plan	47.209	1/15/2015	Deposit		30	1/1/2011	NA	717.840	\$23.928	NA	NA	NA	NA	NA
								0.425	3/1/2011	NA	10.169	\$23.928	NA	NA	NA	NA	
								0.426	6/1/2011	NA	10.193	\$23.928	NA	NA	NA	NA	
								15	6/15/2011	NA	358.920	\$23.928	NA	NA	NA	NA	
								0.685	9/1/2011	NA	16.391	\$23.928	NA	NA	NA	NA	
								0.673	12/1/2011	NA	16.104	\$23.928	NA	NA	NA	NA	
								Total Current Cost Basis:									

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 4 (Acct A): Certificate my Plan shares (sell any fractional shares).

DESCRIPTION:

John Smith has sent in a request to the TA to issue his shares held in Plan form in Certificate form. John currently has 25 Plan shares held represented by two tax lots – one lot for 15 shares and one lot for 10 shares. He also has 100 other shares in certificate form, and 75 shares in book form.

DETERMINATION:

John will receive one Certificate representing 25 shares with two individual tax lots that will carry forward the acquisition date and cost basis information from his Plan shares. John will continue to hold 200 shares in his account – 125 Certificate shares and 75 shares in Book form after this transfer.

ACTIONS/RESULTS:

1. John's account currently has 25 shares in his DRP Plan:
 - a. 15 Shares Acquisition Date 3/21/2014 Cost \$ 116.250
 - b. 10 Shares Acquisition Date 6/21/2014 Cost \$ 70.000
2. The TA will issue a new certificate, B677, representing 25 shares with an effective date of 1/15/2015. This certificate will be represented by two tax lots whose cost basis data has carried forward from the original plan shares referenced above because these shares are considered to be covered.

B677	15 Shares	Acquisition Date 3/21/2014	Cost \$ 116.250
	10 Shares	Acquisition Date 6/21/2014	Cost \$ 70.000

3. John's account will still have 200 shares with a total cost basis attributable to the covered shares of \$1,521.250 after this transfer has been completed. He will have three certificates, representing a total of 125 shares, and 75 Book shares held in the following six tax lots:

Certificate Shares

A123 represents 25 Shrs in one lot Acquisition Date 9/10/2010 Cost "noncovered"

A124 represents 75 Shrs in one lot Acquisition Date 1/30/2014 Cost \$ 750.000

B677 represents 25 Shrs in two lots:

	15 Shrs	Acquisition Date 3/21/2014	Cost \$ 116.250
	10 Shrs	Acquisition Date 6/21/2014	Cost \$ 70.000

Book Shares

45 Shrs Acquisition Date 2/5/2014 Cost \$ 360.000

30 Shrs Acquisition Date 2/25/2014 Cost \$ 225.000



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 4 (Acct C): Certificate my Plan shares (sell any fractional shares).

DESCRIPTION:

Bruce Anderson currently holds 157.365 shares in Plan form represented by six individual tax lots for a total cost of \$3,765.430. Mr. Anderson has sent in a request to issue his plan shares in certificate form and sell any fractional shares.

DETERMINATION:

The TA will process the transfer and issue a certificate for 157 full shares and sell the remaining .365 shares. The sale of the fractional shares will generate a 1099B. Mr. Anderson's account will have a balance of 157 shares after this transaction with an adjusted cost basis of \$3,756.697 to reflect the sale of the fractional shares.

ACTIONS/RESULTS:

- The TA will issue a Certificate, B589, for 157 shares, effective 1/15/2015 represented by the following six individual tax lots:

100.000 Shares	Acquisition Date 1/1/2014	Cost	\$2,392.800
1.416 Shares	Acquisition Date 3/1/2014	Cost	\$ 33.882
1.421 Shares	Acquisition Date 6/1/2014	Cost	\$ 34.002
50.000 Shares	Acquisition Date 6/15/2014	Cost	\$1,196.400
2.284 Shares	Acquisition Date 9/1/2014	Cost	\$ 54.652
<u>1.879 Shares</u>	<u>Acquisition Date 12/1/2014</u>	<u>Cost</u>	<u>\$ 44.961</u>
157.000 Shares			\$3,756.697
- The TA will sell the .365 shares* on 1/15/2015 from the original Plan Asset Lot 6 that had 2.244 shares with the Acquisition Date of 12/1/2014 with an average cost basis of \$23.928 per share reportable on 1099B.

*There is no specific IRS guidance on whether to sell fractional shares first or last. However, when using Average Cost method, share lots must be depleted using the First In First Out (FIFO) method. The determination of whether or not the sale of fractional shares goes first or last is based on individual Transfer Agent practices. In this example, we have sold the fractional shares from the last lot.



Cost Basis Reporting Guidelines

[SCENARIOS LIST](#)
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Scenario 4 Certicate my plan shares
Determination New certificate created in shareholder acct. Lot info recorded behind it. Cost basis follows

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct# A New	John Smith	Cert	A123	25	9/10/2010	agent transfer		25.00	uncovered	na	uncovered	uncovered				
		Cert	A124	75	1/30/2014	broker transfer in		75.00	1/30/2014	na	\$750.000	10.000				
		Cert	B677	25	1/15/2015	agent transfer		15.00	3/21/2014		\$116.250	7.750				
								10.00	6/21/2014		\$70.000	7.000				
		Book	Book 1	45	2/5/2014	broker transfer in		45.00	2/5/2014		\$360.000	8.000				
		Book	Book 2	30	2/25/2014	Broker transfer in		30.00	2/25/2014		\$225.000	7.500				
		Plan	Plan	15	3/21/2014	Direct purchase										
	Plan	10	6/21/2014	Direct purchase												
	Plan	25	1/15/2015	Transfer out												
Total Current Cost Basis:											\$1,521.250					

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct B		N/A no book shares														

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis		
Acct# C	Bruce Anderson	Cert	B589	157	1/15/2015	Agent Transfer	100	1/1/2014	NA	2,392.800	\$23.928							
							1.416	3/1/2014	NA	33.882	\$23.928							
							1.421	6/1/2014	NA	34.002	\$23.928							
							50	6/15/2014	NA	1,196.400	\$23.928							
							2.284	9/1/2014	NA	54.652	\$23.928							
							1.879	12/1/2014	NA	44.961	\$23.928							
		Total Current Cost Basis:											\$3,756.696					
		Plan	Plan 1	100	1/1/2014	direct purchase												
			Plan 2	1.416	3/1/2014	div rein @ .34												
			Plan 3	1.421	6/1/2014	div rein @ .34												
Plan 4	50		6/15/2014	direct purchase														
Plan 5	2.284		9/1/2014	div rein @ .34														
Plan 6	2.244		12/1/2014	div rein @ .34														
Plan 7	157		1/15/2015	Transfer out														
Plan 8	0.365		1/18/2015	Sell														
1099 B Reportable							0.365	12/1/2014		8.734	\$23.928							

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 5 (Acct A): Deposit my certificates to Plan.

DESCRIPTION:

John Smith’s account currently has 200 shares in his account held in Certificate, Book and Plan form. His two certificates represent 100 shares – one for 25 shares and a second certificate for 75 shares. He would like to deposit these certificates to his Plan.

DETERMINATION:

The TA will deposit the two certificates into John’s Plan account. All of the cost basis information will carry forward to the Plan shares. After the transaction, John’s account will still have 200 shares at a total cost basis attributable to the covered shares of \$1,521.250 held in Book and Plan form.

ACTIONS/RESULTS:

1. John sends instructions along with his two certificates to the TA to deposit into his Plan share account. Certificate A123 represents 25 shares that were Acquisition Date 9/10/2010. Because these shares were acquired before the effective date of IRS Reg. 101896-09, they are considered to be “*noncovered*”, so there is no need to record or carry forward any cost basis information. Certificate A124 represents 75 shares that were Acquisition Date 1/30/2014 with a cost basis of \$750.00. After the deposit, John will have an additional 100 Plan shares represented by the following two lots:
 - a. 25 Shares “Noncovered”
 - b. 75 Shares Acquisition Date 1/30/2014 Cost \$750.00
2. John will still have a total of 200 shares with a total cost basis of \$1,521.250. These shares will be held in Book and Plan form represented by six tax lots:
 - a. Book Shares

45 Shares	Acquisition Date 2/5/2014	Cost \$360.00
30 Shares	Acquisition Date 2/25/2014	Cost \$225.00
 - b. Plan Shares

25 Shares	Noncovered	
75 Shares	Acquisition Date 1/30/2014	Cost \$750.00
15 Shares	Acquisition Date 3/21/2014	Cost \$116.25
10 Shares	Acquisition Date 6/21/2014	Cost \$ 70.00



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS

SCENARIO 5 (Acct B): Deposit my certificates to Plan.

DESCRIPTION:

Sue Jones' account currently has four certificates representing a total of 170 shares with a total cost of \$1,373.75. Sue would like to deposit her certificates to the DRP Plan. She currently has no Book or Plan shares on record. Sue has submitted a request to enroll in the plan.

DETERMINATION:

The TA will deposit each of Sue's four certificates to a new Plan account – carrying forward any acquisition dates and cost basis information that applies. There should be no change to the total number of shares or cost basis as a result of this transfer.

ACTIONS/RESULTS:

1. The TA reviews Sue's certificates to determine what, if any, shares may have been acquired prior to the effective date of IRS Reg. 101896-09. Sue has one certificate, J424, representing 30 shares that was Acquisition Date 3/1/2009 and is deemed to be "noncovered" so there is no need to record or carry forward any cost basis information. She has three more certificates that will need to carry forward their basis:
 - a. J555 40 Shares Acquisition Date 2/15/2014 Cost \$380.00
 - b. J888 75 Shares Acquisition Date 6/10/2014 Cost \$750.00
 - c. J999 25 Shares Acquisition Date 7/10/2014 Cost \$243.75
2. Sue's new plan account will have a balance of 170 shares after the deposit with a total cost of \$1,373.75. Her plan shares will be represented by the following four tax lots:
 - a. 30 Shares Acquisition Date 3/1/2009 Cost "Noncovered"
 - b. 40 Shares Acquisition Date 2/15/2014 Cost \$380.00
 - c. 75 Shares Acquisition Date 6/10/2014 Cost \$750.00
 - d. 25 Shares Acquisition Date 7/10/2014 Cost \$243.75



Cost Basis Reporting Guidelines

[SCENARIOS LIST](#)
[BEGINNING ACCOUNT DATA](#)

Scenario 5 Deposit my certs to Plan
 Determination Tax cost data remains the same

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis		
Acct# A New	John Smith	Cert	A123	25	9/10/2010	agent transfer	1/15/2015											
		Cert	A124	75	1/30/2014	broker transfer	1/15/2015											
		Book	Book 1	45	2/5/2014	broker transfer in		45.000	2/5/2014		\$360.000	8.000						
		Book	Book 2	30	2/25/2014	Broker transfer in		30.000	2/25/2014		\$225.000	7.500						
		Plan	Plan	15	3/21/2014	Direct purchase		25.000	9/10/2010	na	uncovered	uncovered						
		Plan	Plan	10	6/21/2014	Direct purchase		75.000	1/30/2014	na	\$750.000	10.000						
		Plan	Plan	100	1/15/2015	Deposit		15.000	3/21/2014		\$116.250	7.750						
						10.000	6/21/2014		\$70.000	7.000								
Total Current Cost Basis:											\$1,521.250							

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
Acct # B	Sue Jones	Cert	J424	30	3/1/2009	prior to 2011	1/15/2015										
		Cert	J555	40	2/15/2014	broker transfer in	1/15/2015										
		Cert	J888	75	6/10/2014	broker transfer in	1/15/2015										
		Cert	J999	25	7/10/2014	broker transfer in	1/15/2015										
		Plan	Plan 1	170	1/15/2015	Transfer in		30.000	3/1/2009		uncovered	uncovered					
								40.000	2/15/2014		\$380.000	\$9.500					
						75.000	6/10/2014		\$750.000	\$10.000							
						25.000	7/10/2014		\$243.750	\$9.750							
Total Current Cost Basis:											\$1,373.750						

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct # C		N/A no book shares														

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Cost Basis Reporting Guidelines

COST BASIS REPORTING SET II – Gifts & Inheritance Transfers

This section contains the following scenarios:

- Single Account Transfer – Gifted Shares
- 50% Transfer, Gift, FMV
- Transfer to 5 Accounts, Gift, FMV
- Single Account Transfer to Estate
- Transfer JTEN on Death

TRANSACTION CATEGORY: ACCOUNT TRANSFERS – GIFTED SHARES
SCENARIO 6 (Acct A): Single account transfer, all full shares to a new account, new registration (no relationship to original owner), different TIN.

DESCRIPTION:

John Smith currently has an Individual (single) Account with 200 shares held in Certificate, Book and Plan form with a total cost basis of \$1,521.25. John has sent in instructions, along with his two certificates, to transfer all his shares to Ron Peters in book entry form. John did not specify a reason for the transfer and there does not appear to be any relationship between John and Ron.

DETERMINATION:

The TA will establish a new account in the name of Ron Peters. Because John Smith did not specify a reason for the transfer, GIFT rules will apply based on guidelines supplied in IRS Rule 101896-09. After the transfer, John’s account will have a zero balance – all shares debited. Ron Peter’s shares will be recorded in either Book or Certificate form – no other instructions were provided.

ACTIONS/RESULTS:

1. John has a total of 200 shares held in the following forms:
Certificate shares – John has two certificates representing 100 shares:
 - a. A123 25 Shares Acquisition Date 9/10/2010 Cost “Noncovered”
 - b. A124 75 Shares Acquisition Date 1/21/2014 Cost \$750.00
The 25 shares acquired before 1/1/2011 are “noncovered” (acquired before the effective date of IRS Rule 101896-09) so there is no need to record or carry forward any cost basis information. The 75 shares are considered “covered” (acquired after the effective date), Date of the gift, FMV on date of gifts, donors adjusted cost basis and donors adjusted acquisition date must carry to the new account.
Book shares – John has 75 book shares represented by two tax lots
 - a. 45 Shares Acquisition Date 2/5/2014 Cost \$360.00
 - b. 30 Shares Acquisition Date 2/25/2014 Cost \$225.00
Plan shares - John has 25 plan shares represented by two tax lots
 - c. 15 Shares Acquisition Date 3/21/2014 Cost \$116.25
 - d. 10 Shares Acquisition Date 6/21/2014 Cost \$ 70.00
2. The TA will process the transfer request. Ron Peter’s book-entry account will be credited with six tax lots that carry forward John’s (the donor’s) acquisition dates and cost basis.

Because John has not identified the date of the gift, the TA will create the new tax lots using the effective date of the transfer as the Date of the Gift and the FMV will be recorded as of the date of the gift. For purpose of this example we have used 1/15/15 as the effective date and the FMV for that day is \$15.00



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS – GIFTED SHARES
SCENARIO 6 (Acct A) Cont'd: Single account transfer, all full shares to a new account, new registration (no relationship to original owner), different TIN.

After the transfer, all shares will have been debited from John's account. Ron's account will contain 200 shares in book entry form, which will be represented by 6 tax lots. The Total Cost Basis for the covered shares will be \$1,521.25. Below are Ron's lots after the transfer:

Ron Peters: 200 Shares

<u>Tax Lot</u>	<u>Donor's Acquisition Date</u>	<u>Donor's Cost Basis</u>	<u>Date of Gift</u>	<u>FMV on Date of Gift</u>
25	9/10/2010	"Noncovered"	N/A	N/A
75	1/30/2014	\$ 750.000	1/15/2015	\$1,125.000
45	2/5/2014	\$ 360.000	1/15/2015	\$ 675.000
30	2/25/2014	\$ 225.000	1/15/2015	\$ 450.000
15	3/21/2014	\$ 116.250	1/15/2015	\$ 225.000
10	6/21/2014	\$ 70.000	1/15/2015	\$ 150.000

The gifted/inherited indicator in each tax lot *will be* flagged as "gifted".

TRANSACTION CATEGORY: ACCOUNT TRANSFERS – GIFTED SHARES
SCENARIO 6 (Acct B): Single account transfer, all full shares to a new account, new registration (no relationship to original owner), different TIN.

DESCRIPTION:

Sue Jones currently has an individual (single) account with 170 shares held in Certificate form with a total cost basis of \$1,373.75. Sue has sent in instructions, along with her four certificates, to transfer all her shares to Ron Peters. Sue did not specify a reason for the transfer and there does not appear to be any relationship between Sue and Ron.

DETERMINATION:

The TA will establish a new account in the name of Ron Peters. Because Sue Jones did not specify a reason for the transfer, GIFT rules will apply based on guidelines supplied in IRS Rule 101896-09. After the transfer, Sue’s account will have a zero balance – all shares debited. Ron Peter’s shares will be issued in Certificate form.

ACTIONS/RESULTS:

1. Sue has four certificates representing 170 shares:

a.	J424	30 Shares	Acquisition Date 3/1/2009	Cost “Noncovered”
b.	J555	40 Shares	Acquisition Date 2/15/2014	Cost \$380.00
c.	J888	75 Shares	Acquisition Date 6/10/2014	Cost \$750.00
d.	J999	25 Shares	Acquisition Date 7/10/2014	Cost \$243.75
2. The 30 shares with an Acquisition Date 3/1/2009 are deemed to be “noncovered” (acquired before the effective date of IRS Rule 101896-09) so there is no need to record or carry forward any cost basis information. For the remaining certificates, it will be necessary to carry forward the donor’s acquisition date and cost basis and record the date of the gift and the FMV on the date of the gift to the new account.
3. The TA will process the transfer request. The transfer will appear in Ron Peter’s account represented by one certificate for a total of 170 shares represented by four tax lots that carry forward Sue’s (*the donor’s*) acquisition dates and cost basis information.
4. Because Sue has not identified the date of the gift, the TA will create the new tax lots using the effective date of the transfer as the Date of the Gift and the FMV will be recorded as the Date of the Gift. For purposes of this example we will use 1/15/15 as the effective date and the FMV for that day is \$15.00

After the transfer, all shares will have been debited from Sue’s account. Ron’s account will contain 170 shares held in Certificate form with a Total Cost Basis of \$1,373.75. The next page shows Ron’s tax lots after the transfer:



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS – GIFTED SHARES
SCENARIO 6 (Acct B) Cont'd: Single account transfer, all full shares to a new account, new registration (no relationship to original owner), different TIN.

Ron Peters: 170 Certificate Shares

<u>Tax Lot</u>	<u>Donor's Acquisition Date</u>	<u>Donor's Cost Basis</u>	<u>Date of Gift</u>	<u>FMV on Date of Gift</u>
30	3/1/2009	“Noncovered”	N/A	N/A
40	2/15/2014	\$ 380.000	1/15/2015	\$ 600.000
75	6/10/2014	\$ 750.000	1/15/2015	\$1,125.000
25	7/10/2014	\$ 243.750	1/15/2015	\$ 375.000

The gifted/inherited indicator in each tax lot *will be* flagged as “gifted”.



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS –GIFTED SHARES

SCENARIO 6 (Acct C): Single account transfer, all full shares to a new account, new registration (no relationship to original owner), different TIN.

DESCRIPTION:

Bruce Anderson currently has an individual (single) Plan account with 157.365 shares with a total cost basis of \$3,765.43. Bruce has elected the average cost method for his DRP shares. Bruce has sent in instructions to transfer all his full shares to Ron Peters. Bruce did not specify a reason for the transfer and there does not appear to be any relationship between Bruce and Ron.

DETERMINATION:

The TA will establish a new account in the name of Ron Peters. Because Bruce did not specify a reason for the transfer, GIFT rules will apply based on guidelines supplied in IRS Rule 101896-09. After the transfer, Bruce’s account will remain open with one fractional share lot. Absent any DRP enrollment form, Ron Peter’s shares will be held in either Book or Certificate form.

ACTIONS/RESULTS:

1. Bruce currently has 157.365 shares represented by six tax lots that were acquired through a combination of Cash Contributions and Dividend Reinvestment:

a. 100 Shares	Acquisition Date 1/1/2014	Cost \$2,392.800
b. 1.416 Shares	Acquisition Date 3/1/2014	Cost \$ 33.882
c. 1.421 Shares	Acquisition Date 6/1/2014	Cost \$ 34.002
d. 50 Shares	Acquisition Date 6/15/2014	Cost \$1,196.400
e. 2.284 Shares	Acquisition Date 9/1/2014	Cost \$ 54.652
f. 2.244 Shares	Acquisition Date 12/1/2014	Cost \$ 53.694

All of Bruce’s shares were acquired after the effective date of IRS Rule 101896-09. Bruce is only transferring FULL shares to Ron, therefore, his account will remain open with a single fractional share lot (.365 shares) with the acquisition date of 12/1/2014 and an average cost basis of \$23.928 resulting in a total cost of \$8.734.

2. The transfer will appear in Ron Peter’s account with six tax lots that carry forward Bruce’s (*the donor’s*) adjusted acquisition date and adjusted cost basis, the date of the gift and the FMV on the date of the gift.

Because Bruce has not identified the date of the gift, the TA will create the new tax lot using the effective date of the transfer as the Date of the Gift and the FMV will be recorded as the Date of the Gift. For purposes of this example, we have used 1/15/15 as the effective date and the FMV for that day is \$15.00

After the transfer, as stated above, Bruce’s account will remain open with .365 shares. Ron’s account will contain 157 shares with a Total Cost Basis of \$3,756.696. The next page shows Ron’s tax lots after the transfer:



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS –GIFTED SHARES
SCENARIO 6 (Acct C) Cont'd: Single account transfer, all full shares to a new account, new registration (no relationship to original owner), different TIN.

Ron Peters: 157 Shares

<u>Tax Lot</u>	<u>Donor's Acquisition Date</u>	<u>Donor's Cost Basis</u>	<u>Date of Gift</u>	<u>FMV on Date of Gift</u>
100	1/1/2014	\$2,392.800	1/15/2015	\$1,500.000
1.416	3/1/2014	\$ 33.882	1/15/2015	\$ 21.240
1.421	6/1/2014	\$ 34.002	1/15/2015	\$ 21.315
50	6/15/2014	\$1,196.400	1/15/2015	\$ 750.000
2.284	9/1/2014	\$ 54.652	1/15/2015	\$ 34.260
1.879	12/1/2014	\$ 44.964	1/15/2015	\$ 28.185

The gifted/inherited indicator in each tax lot will be flagged as “gifted”.



Cost Basis Reporting Guidelines

[SCENARIOS LIST](#)
[BEGINNING ACCOUNT DATA](#)

Scenario 6 Determination Single account, transfer all full shares to 1 person different name and TIN. there appears to be no relationship to the original account All transfer are recorded as Gift and gift rules apply Apply rules from IRS Pub 551 to record Current cost basis Reg indicates Acquisition date and adjusted cost basis is always donors If FMV is equal to or more then Donors basis do we record current basis as donors IF FMV is less then Donors is the basis not determined until the shares are sold? FMV on date of \$15.00 per share

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
Acct# A New Used \$15.00 FMV on date of Gift Note: Old account all debited	Ron Peters	Book	Book 1	200	1/15/2015	Transfer		25	9/10/2010	NA	Uncovered	uncovered	G	1/15/2015	Uncovered	9/10/2010	Uncovered	
								75	1/30/2014	NA	\$750.000	10.000	G	1/15/2015	\$1,125.000	1/30/2014	\$750.000	
								45	2/5/2014	NA	\$360.000	8.000	G	1/15/2015	\$675.000	2/5/2014	\$360.000	
								30	2/25/2014	NA	\$225.000	7.500	G	1/15/2015	\$450.000	2/25/2014	\$225.000	
								15	3/21/2014	NA	\$116.250	7.750	G	1/15/2015	\$225.000	3/21/2014	\$116.250	
								10	6/21/2014	NA	\$70.000	7.000	G	1/15/2015	\$150.000	6/21/2014	\$70.000	
Total Current Cost Basis:											\$1,521.250							

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
Acct B New Note: Old account all debited	Ron Peters	Cert	ABC 1111	170	1/15/2015	Transfer		30	3/1/2009	NA	uncovered	uncovered	G	1/15/2015	uncovered	3/1/2009	uncovered	
								40	2/15/2014	NA	\$380.000	9.500	G	1/15/2015	\$600.000	2/15/2014	\$380.000	
								75	6/10/2014	NA	\$750.000	10.000	G	1/15/2015	\$1,125.000	6/10/2014	\$750.000	
								25	7/10/2014	NA	\$243.750	9.750	G	1/15/2015	\$375.000	7/10/2014	\$243.750	
Total Current Cost Basis:											\$1,373.750							

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis		
Acct C OLD Acct is avg. Transferred all shares Only Frac remaining	Bruce Anderson	Plan	Plan 1	100	1/1/2014	Cash Contribution		0.365	12/1/2014	NA	\$8.734	23.928	NA	NA	NA	NA	NA		
			Plan 2	1.416	3/1/2014	Div Rein @ .34													
			Plan 3	1.421	6/1/2014	Div Rein @ .34													
			Plan 4	50	6/15/2014	Cash Contribution													
			Plan 5	2.284	9/1/2014	Div Rein @ .34													
			Plan 6	2.244	12/1/2014	Div Rein @ .34													
			Plan 7	157	1/15/2015	Withdrawal													
Total Current Cost Basis:											\$8.734								
Acct C New	Ron Peters	Book	Book 1	157	1/15/2015	Transfer		100	1/1/2014		\$2,392.800		G	1/15/2015	\$1,500.000	1/1/2014	\$2,392.800		
								1.416	3/1/2014		\$33.882		G	1/15/2015	\$21.240	3/1/2014	\$33.882		
								1.421	6/1/2014		\$34.002		G	1/15/2015	\$21.315	6/1/2014	\$34.002		
								50	6/15/2014		\$1,196.400		G	1/15/2015	\$750.000	6/15/2014	\$1,196.400		
								2.284	9/1/2014		\$54.652		G	1/15/2015	\$34.260	9/1/2014	\$54.652		
								1.879	12/1/2014		\$44.960		G	1/15/2015	\$28.185	12/1/2014	\$44.960		
Total Current Cost Basis:											\$3,756.696								

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCCOUNT TRANSFER – GIFTED SHARES
SCENARIO 7 (Acct A): 50% Transfer, Gift, FMV.

DESCRIPTION:

John Smith has sent in two certificates (representing 50% of his current account balance) that he would like to transfer to Clark Kent, in a new account with a different TIN. Since there appears to be no relationship to John’s original account and no reason for the transfer was provided by John Smith, the transfer is considered a ‘gift’. John Smith has requested a new certificate be issued to Clark Kent.

DETERMINATION:

Clark Kent will receive one Certificate for 100 shares represented by two tax lots that will carry forward John Smith’s, the *donor’s* acquisition date and cost basis along with the gift date and the FMV on gift date. John will continue to hold the 100 Book and Plan shares in his original account.

ACTIONS/RESULTS:

1. John’s account currently holds 200 shares in Certificate, Book and Plan form:

Certificate Shares

a. A 123	25 Shares	Acquisition Date 9/10/2010	Cost “noncovered”
b. A124	75 Shares	Acquisition Date 1/30/2014	Cost \$ 750.00

Book Shares

c. Book 1	45 Shares	Acquisition Date 2/5/2014	Cost \$ 360.00
d. Book 2	30 Shares	Acquisition Date 2/25/2014	Cost \$ 225.00

Plan Shares

e. Plan 1	15 Shares	Acquisition Date 3/21/2014	Cost \$ 116.25
f. Plan 2	10 Shares	Acquisition Date 6/21/2014	Cost \$ 70.00

2. The TA will open a new account for Clark Kent; and then transfer the shares to Clark’s account, issuing him a new certificate, A899, for 100 shares. This certificate will be represented by two tax lots that carry forward the acquisition date(s) and cost basis of the Certificate shares submitted by John (the donor). Because John did not provide the date of the gift the TA will use the effective date of the transfer to determine the gift date and a Fair Market Value (FMV). For purposes of example the effective date of the transfer was 1/15/2015 and the FMV on that date was \$15/share on gift date.

After the transfer is completed John’s account will have 75 book shares represented by two tax lots

a. Book 1	45 Shares	Acquisition Date 2/5/2014	Cost \$ 360.00
b. Book 2	30 Shares	Acquisition Date 2/25/2014	Cost \$ 225.00

And 25 plan shares represented by two tax lots

c. Plan 1	15 Shares	Acquisition Date 3/21/2014	Cost \$ 116.25
d. Plan 2	10 Shares	Acquisition Date 6/21/2014	Cost \$ 70.00

John will hold a total of 100 shares with a total cost basis of \$771.25.

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCCOUNT TRANSFER – GIFTED SHARES
SCENARIO 7 (Acct A) Cont'd: 50% Transfer, Gift, FMV.

Clark’s account will have 100 shares in certificate form (A899) represented by two tax lots with a total cost basis of \$750.00 after this transfer has been completed.

<u>Tax Lot</u>	<u>Donor’s Acquisition Date</u>	<u>Donor’s Cost Basis</u>	<u>Date of Gift</u>	<u>FMV on Date of Gift</u>
25	9/10/2010	“Noncovered”	1/15/2015	”Noncovered”
75	1/30/2014	\$ 750.000	1/15/2015	\$1,125.000

The gifted/inherited indicator in each tax lot will be flagged as “gifted”.



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS – GIFTED SHARES
SCENARIO 7 (Acct B): 50% Transfer, Gift, FMV.

DESCRIPTION:

Sue Smith has sent in a request to the TA to transfer 50% (i.e., half) of her shares currently held to Clark Kent, in a new account with a different TIN. Since there appears to be no relationship to Sue’s original account and no reason for the transfer was provided by Sue, the transfer is considered a ‘gift’. Sue Smith submitted all her certificates, indicating that 50% of each certificate should be transferred to Clark Kent. She did not request that a new certificate be issued to Clark Kent.

DETERMINATION:

Because Sue did not request that a certificate be issued to Clark, the 85 shares transferred to Clark will be held in book form. In addition, because Sue did specify that half of each certificate is to be transferred to Clark, Clark will receive a pro-rata (proportional) share of each of Sue’s pre-existing shares with four individual tax lots that will carry forward the acquisition date and cost basis from Sue’s account. If there is no “Specific Identification” of the shares to be transferred, the TA Default Rule of FIFO for Equities will apply, see Treasury Reg, Section 1.1012-1(c)(1)(i) [Page 54 of the FINAL regulations]. Sue will be issued a new Certificate for her remaining 85 shares after the transfer.

ACTIONS/RESULTS:

1. Sue’s account currently holds 170 Certificate shares:
 - a. 30 Shares Acquisition Date 3/1/2009 Cost “noncovered”
 - b. 40 Shares Acquisition Date 2/15/2014 Cost \$ 380.000
 - c. 75 Shares Acquisition Date 6/10/2014 Cost \$ 750.000
 - d. 25 Shares Acquisition Date 7/10/2014 Cost \$ 243.750
2. The TA will open a new account for Clark, and then process the transfer of 85 shares to Clark. Clark’s account will have four tax lots that carry forward the acquisition date(s) and cost basis from Sue’s account with a gifted date of 1/15/2015 and a Fair Market Value (FMV) of \$15/share on gift date.

After this transfer has been completed Sue’s account will have 85 shares in certificate form (K123) in four lots with the following cost basis:

- a. 15 Shares Acquisition Date 3/1/2009 Cost “noncovered”
 - b. 20 Shares Acquisition Date 2/15/2014 Cost \$ 190.000
 - c. 37.5 Shares Acquisition Date 6/10/2014 Cost \$ 375.000
 - d. 12.5 Shares Acquisition Date 7/10/2014 Cost \$ 121.875
4. After the transfer, Clark’s account will have 85 book shares in the following four lots:

<u>Tax Lot</u>	<u>Donor’s Acquisition Date</u>	<u>Donor’s Cost Basis</u>	<u>Date of Gift</u>	<u>FMV on Date of Gift</u>
15	3/1/2009	“Noncovered”	1/15/2015	“Noncovered”
20	2/15/2014	\$ 190.000	1/15/2015	\$300.000
37.5	6/10/2014	\$ 375.000	1/15/2015	\$562.500
12.5	7/10/2014	\$ 121.875	1/15/2015	\$187.500

The gifted/inherited indicator in each tax lot will be flagged as “*gifted*”.

***Note:** *When doing proportional transfers, it is likely that fractional tax lots will result. As long as tax lots are in balance with actual shares, it is allowable to have fractional tax lots.*

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS – GIFTED SHARES
SCENARIO 7 (Acct C): 50% Transfer, Gift, FMV.

DESCRIPTION:

Bruce Anderson has sent in a request to the TA to transfer 78.683 of his shares currently held to Clark Kent, in a new account with a different TIN. Bruce has 157.365 shares held in his DRP Plan account. Since there appears to be no relationship to Bruce’s original account and no reason for the transfer was provided by Bruce Anderson, the transfer is considered a ‘gift’.

DETERMINATION:

Clark will receive 78.683 of Bruce’s plan shares. Because Bruce did not provide specific instructions regarding the tax lot distribution, Bruce’s shares will transfer to Clark in FIFO order. The acquisition date and cost basis along with the gift date and the FMV on gift date will carry forward to Ron’s new account. Bruce will continue to hold his remaining shares in his plan account.

ACTIONS/RESULTS:

1. Bruce’s account currently holds 157.365 Plan shares:

a. 100 Shares	Acquisition Date 1/1/2014	Cost \$ 2,392.800
b. 1.416 Shares	Acquisition Date 3/1/2014	Cost \$ 33.882
c. 1.421 Shares	Acquisition Date 6/1/2014	Cost \$ 43.002
d. 50 Shares	Acquisition Date 6/15/2014	Cost \$ 1,196.400
e. 2.284 Shares	Acquisition Date 9/1/2014	Cost \$ 54.652
f. 2.244 Shares	Acquisition Date 12/1/2014	Cost \$ 53.694
		<u>\$ 3,774.430</u>

2. The TA will open a new Plan account for Clark and process the transfer debiting Bruce’s tax lots in FIFO order. Clark will have 78.683 shares in his plan account after the transfer. Because all of Bruce’s shares are covered securities (Treasury Regulation Section 1.6045-1(a)(15)(i)(B)) the acquisition date and cost basis along with the gift date and the FMV on gift dates will carry forward from Bruce’s account. For purposes of this scenario these shares will have a gifted date of 1/15/2015 and a Fair Market Value (FMV) of \$52/share.

3. Bruce’s Plan account will have 78.682 shares in six tax lots with a total cost basis of \$1,891.703 after this transfer has been completed.

a. 21.317 Shares	Acquisition Date 1/1/2014	Cost \$ 510.073
b. 1.416 Shares	Acquisition Date 3/1/3014	Cost \$ 33.882
c. 1.421 Shares	Acquisition Date 6/1/2014	Cost \$ 34.002
d. 50.000 Shares	Acquisition Date 6/15/2014	Cost \$1,196.400
e. 2.284 Shares	Acquisition Date 9/1/2014	Cost \$ 54.652
f. <u>2.244 Shares</u>	Acquisition Date 12/1/2014	Cost \$ 53.694
78.682 Shares		<u>\$1,882.703</u>

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS – GIFTED SHARES
SCENARIO 7 (Acct C) Cont'd: 50% Transfer, Gift, FMV.

4. Clark’s Plan account will have a total of 78.683 shares with the following cost basis information:

Tax	Donor’s Acquisition	Donor’s	Date of	FMV on Date
<u>Lot</u>	<u>Shares</u>	<u>Date</u>	<u>Gift</u>	<u>of Gift</u>
1	78.683	1/1/2014	1/15/2015	\$ 4,091.516

The gifted/inherited indicator in each tax lot will be flagged as “gifted”.



Cost Basis Reporting Guidelines

Scenario 7 Single Account 50% (shareholder indicates share amount) to new account different TIN
Determination There appears to be no relationship to original account, no transfer reason communicated. Transfer is a gift
 If the FMV of the property is equal to or greater than the donor's adjusted basis, your basis is the donor's adjusted basis at the time you received the gift.

Results of transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquisition Date	Donors Cost Basis		
Acct# A Original John Smith Shareholder submitted certificates Requested certificate		Cert A123	25.000	9/10/2010	TRA	1/15/2015	TRA												
		Cert A124	75.000	1/30/2014	Transfer	1/15/2015	Transfer												
		Book Book 1	45.000	2/5/2014	Transfer				45	2/5/2014	NA	360.000	8.000						
		Book Book 2	30.000	2/25/2014	Transfer				30	2/25/2014	NA	225.000	7.500						
		Plan Plan	15.000	3/21/2014	Cash Contribution				15	3/21/2014	NA	116.250	7.750						
		Plan Plan	10.000	6/21/2014	Cash Contribution				10	6/21/2014	NA	70.000	7.000						
Total Current Cost Basis:											\$771.250								
Acct# A New Clark Kent Used \$15 as FMV on date of gift		Cert A899	100.000	1/15/2015	Transfer			25	9/10/2010	NA	uncovered	uncovered	G	1/15/2015	NA	9/10/2010	Uncovered		
								75	6/21/2014	NA	750.000		G	1/15/2015	\$1,125.000	1/30/2014	\$750.000		
Total Current Cost Basis:											\$750.000								

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquisition Date	Donors Cost Basis	
Acct B Original Sue Jones Shareholder submitted all certificates Did not indicate certificate		Cert J424	30.000	3/1/2009	Transfer	1/15/2015	Transfer											
		Cert J555	40.000	2/15/2014	Transfer	1/15/2015	Transfer											
		Cert J888	75.000	6/10/2014	Transfer	1/15/2015	Transfer											
		Cert J999	25.000	7/10/2014	Transfer	1/15/2015	Transfer											
		Cert K123	85.000	1/15/2015	Transfer				15	3/1/2009	NA	Uncovered	Uncovered					
								20	2/15/2014	NA	190.000	9.500						
								37.5	6/10/2014	NA	375.000	10.000						
								12.5	7/10/2014	NA	121.875	9.750						
Total Current Cost Basis:											\$686.875							
Acct B New Clark Kent Used \$15.00 per share on Date of Gift		Book Book1	85.000	1/15/2015	Transfer			15	3/1/2009	NA	Uncovered	Uncovered	G	NA	NA	3/1/2009	Uncovered	
								20	2/15/2014	NA	190.000		G	1/15/2015	\$300.000	2/15/2014	190.000	
								37.5	6/10/2014	NA	375.000		G	1/15/2015	\$562.500	6/10/2014	375.000	
								12.5	7/10/2014	NA	121.875		G	1/15/2015	\$187.500	7/10/2014	121.875	
Total Current Cost Basis:											\$686.875							

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquisition Date	Donors Cost Basis	
Acct C Original Bruce Anderson No indication of reinvestment option a/c avg cost 23.928		Plan Plan 1	100.000	1/1/2014	Cash Contribution			21.317	1/1/2014	NA	510.073	23.928						
		Plan Plan 2	1.416	3/1/2014	div rein @ .34			1.416	3/1/2014	NA	33.882	23.928						
		Plan Plan 3	1.421	6/1/2014	div rein @ .34			1.421	6/1/2014	NA	34.002	23.928						
		Plan Plan 4	50.000	6/15/2014	direct purchase			50	6/15/2014	NA	1,196.400	23.928						
		Plan Plan 5	2.284	9/1/2014	div rein @ .34			2.284	9/1/2014	NA	54.652	23.928						
		Plan Plan 6	2.244	12/1/2014	div rein @ .34			2.244	12/1/2014	NA	53.694	23.928						
		Plan Plan 7	78.6825		Withdrawal													
Total Current Cost Basis:											\$1,882.703							
Acct C New Clark Kent Used \$52. per shares on date of gift		Plan Plan	78.6825	1/15/2015	Deposit			78.683	1/1/2014	NA	1,882.727	23.928	G	1/15/2015	\$4,091.516	1/1/2014	1,196.400	
Total Current Cost Basis:											\$1,882.727							

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFER – GIFTED SHARES SCENARIO 8 (Acct A): Transfer to 5 Accounts, Gift, FMV.

DESCRIPTION:

John Smith has sent in a request to the TA to transfer all his shares to five separate, new accounts, each with a different TIN. John has sent in his certificate shares to be deposited as part of this transfer. There appears to be no relationship to John’s original account and no reason for the transfer was provided by John Smith, the transfer is considered a ‘gift’.

DETERMINATION:

Because John did not send in specific instructions, each of the five new shareholders will receive one-fifth of John’s shares proportionately with six individual tax lots that will carry forward the acquisition date and cost basis from John Smith’s account and the gift date and FMV on gift date. For purposes of this scenario all shares will have a gifted date of 1/15/2015 and a Fair Market Value (FMV) of \$15/share. John will have a zero balance (all shares debited) in his account after the transfer.

ACTIONS/RESULTS:

1. John’s account currently holds 200 shares in Certificate, Book and Plan form:

Certificate Shares

a. A 123	25 Shares	Acquisition Date 9/10/2010	Cost “noncovered”
b. A124	75 Shares	Acquisition Date 1/30/2014	Cost \$ 750.00

Book Shares

c. Book 1	45 Shares	Acquisition Date 2/5/2014	Cost \$ 360.00
d. Book 2	30 Shares	Acquisition Date 2/25/2014	Cost \$ 225.00

Plan Shares

e. Plan 1	15 Shares	Acquisition Date 3/21/2014	Cost \$ 116.25
f. Plan 2	10 Shares	Acquisition Date 6/21/2014	Cost \$ 70.00

2. The TA create five new accounts, and process the transfer proportionately resulting in 40 shares going to each account represented by six tax lots. The acquisition date and cost basis along with the gift date and the FMV on gift date will be applied to the tax lots in the new account.

3. Each of the 5 new accounts will have 40 shares with a total cost basis of \$304.25 after this transfer has been completed in the following six lots:

<u>Tax Lot</u>	<u>Donor’s Acquisition Date</u>	<u>Donor’s Cost Basis</u>	<u>Date of Gift</u>	<u>FMV on Date of Gift</u>
5	9/10/2010	“noncovered”	1/15/2015	“noncovered”
15	1/30/2014	\$ 150.000	1/15/2015	\$ 225.000
9	2/5/2014	\$ 72.000	1/15/2015	\$ 135.000
6	2/25/2014	\$ 45.000	1/15/2015	\$ 90.000
3	3/21/2014	\$ 23.250	1/15/2015	\$ 45.000
2	6/21/2014	\$ 14.000	1/15/2015	\$ 30.000

The gifted/inherited indicator in each tax lot will be flagged as “gifted”.

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Cost Basis Reporting Guidelines

[SCENARIOS LIST](#)
[BEGINNING ACCOUNT DATA](#)

Scenario 8 Single account, transfer The maximum number of whole shares to 5 people different names and TIN
Determination If tax lot identification is not provided we must allocate cost basis evenly across all accounts
 Reg indicates Acquisition date and adjusted cost basis is always donors

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective Date	Transaction Type	Transaction Debit Date	Transaction n Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/C Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
<u>Acct# A.1 New</u>	Book	Book1	40	1/15/2015	Transfer				5	9/10/2010	uncovered	uncovered	G	1/15/2015	uncovered	9/10/2010	uncovered
									15	1/13/2014	150.000	10.000	G	1/15/2015	\$225.000	1/13/2014	\$150.000
									9	2/5/2014	72.000	8.000	G	1/15/2015	\$135.000	2/5/2014	\$72.000
									6	2/25/2014	45.000	7.500	G	1/15/2015	\$90.000	2/25/2014	\$45.000
									3	3/21/2014	23.250	7.750	G	1/15/2015	\$45.000	3/21/2014	\$23.250
									2	6/21/2014	14.000	7.000	G	1/15/2015	\$30.000	6/21/2014	\$14.000
									Total Current Cost Basis: \$304.250								
<u>Acct# A.2 New</u>	Book	Book1	40	1/15/2015	Transfer				5	9/10/2010	uncovered	uncovered	G	1/15/2015	uncovered	9/10/2010	uncovered
									15	1/13/2014	150.000	10.000	G	1/15/2015	\$225.000	1/13/2014	\$150.000
									9	2/5/2014	72.000	8.000	G	1/15/2015	\$135.000	2/5/2014	\$72.000
									6	2/25/2014	45.000	7.500	G	1/15/2015	\$90.000	2/25/2014	\$45.000
									3	3/21/2014	23.250	7.750	G	1/15/2015	\$45.000	3/21/2014	\$23.250
									2	6/21/2014	14.000	7.000	G	1/15/2015	\$30.000	6/21/2014	\$14.000
									Total Current Cost Basis: \$304.250								
<u>Acct# A.3 New</u>	Book	Book1	40	1/15/2015	Transfer				5	9/10/2010	uncovered	uncovered	G	1/15/2015	uncovered	9/10/2010	uncovered
									15	1/13/2014	150.000	10.000	G	1/15/2015	\$225.000	1/13/2014	\$150.000
									9	2/5/2014	72.000	8.000	G	1/15/2015	\$135.000	2/5/2014	\$72.000
									6	2/25/2014	45.000	7.500	G	1/15/2015	\$90.000	2/25/2014	\$45.000
									3	3/21/2014	23.250	7.750	G	1/15/2015	\$45.000	3/21/2014	\$23.250
									2	6/21/2014	14.000	7.000	G	1/15/2015	\$30.000	6/21/2014	\$14.000
									Total Current Cost Basis: \$304.250								
<u>Acct# A.4 New</u>	Book	Book1	40	1/15/2015	Transfer				5	9/10/2010	uncovered	uncovered	G	1/15/2015	uncovered	9/10/2010	uncovered
									15	1/13/2014	150.000	10.000	G	1/15/2015	\$225.000	1/13/2014	\$150.000
									9	2/5/2014	72.000	8.000	G	1/15/2015	\$135.000	2/5/2014	\$72.000
									6	2/25/2014	45.000	7.500	G	1/15/2015	\$90.000	2/25/2014	\$45.000
									3	3/21/2014	23.250	7.750	G	1/15/2015	\$45.000	3/21/2014	\$23.250
									2	6/21/2014	14.000	7.000	G	1/15/2015	\$30.000	6/21/2014	\$14.000
									Total Current Cost Basis: \$304.250								
<u>Acct# A.5 New</u>	Book	Book1	40	1/15/2015	Transfer				5	9/10/2010	uncovered	uncovered	G	1/15/2015	uncovered	9/10/2010	uncovered
									15	1/13/2014	150.000	10.000	G	1/15/2015	\$225.000	1/13/2014	\$150.000
									9	2/5/2014	72.000	8.000	G	1/15/2015	\$135.000	2/5/2014	\$72.000
									6	2/25/2014	45.000	7.500	G	1/15/2015	\$90.000	2/25/2014	\$45.000
									3	3/21/2014	23.250	7.750	G	1/15/2015	\$45.000	3/21/2014	\$23.250
									2	6/21/2014	14.000	7.000	G	1/15/2015	\$30.000	6/21/2014	\$14.000
									Total Current Cost Basis: \$304.250								

Note used
15.00
FMV on
Date of Gift

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS – GIFTED SHARES SCENARIO 8 (Acct B): Transfer to 5 Accounts, Gift, FMV.

DESCRIPTION:

Sue Jones has sent in a request to the TA to transfer all her Certificate shares, split among 5 separate, new accounts, each with a different TIN. Since tax identification lots were not provided by Sue, the cost basis is allocated evenly across all 5 new accounts. There appears to be no relationship to Sue’s original account and no reason for the transfer was provided by Sue, the transfer is considered a ‘gift’. Sue has requested that each new owner be issued a certificate for their shares.

DETERMINATION:

Because Sue sent in all her certificates but did not specify how the original lots were to be allocated, each new shareowner will receive a pro-rata share of Sue’s existing shares with four individual tax lots that will carry forward the acquisition date and cost basis from Sue’s account. All shares will have a gifted date of 1/15/2015 and a Fair Market Value (FMV) of \$15/share. Sue will have a zero balance (all shares debited) in her account after the transfer.

ACTIONS/RESULTS:

1. Sue’s account currently holds 170 Certificate shares:
 - a. J424 30 Shares Acquisition Date 3/1/2009 Cost noncovered
 - b. J555 40 Shares Acquisition Date 2/15/2014 Cost \$ 380.00
 - c. J888 75 Shares Acquisition Date 6/10/2014 Cost \$ 750.00
 - d. J999 25 Shares Acquisition Date 7/10/2014 Cost \$ 243.75
2. The TA will deposit Sue’s four certificates, open five new accounts and process the transfer proportionately resulting in each account having 34 shares in four tax lots that carry forward the acquisition date(s) and cost basis from Sue’s (*donor’s*) account. Each shareowner will be issued a certificate representing the 34 shares.
3. Sue’s account will have no shares after this transfer has been completed.
4. Each of the 5 new accounts will have 34 shares in certificate form with a total cost basis of \$274.75 represented by 4 tax lots after this transfer has been completed.

<u>Tax Lot</u>	<u>Donor’s Acquisition Date</u>	<u>Donor’s Cost Basis</u>	<u>Date of Gift</u>	<u>FMV on Date of Gift</u>
6	3/1/2009	“noncovered”	1/15/2015	“noncovered”
8	2/15/2014	\$ 76.000	1/15/2015	\$ 120.000
15	6/10/2014	\$ 150.000	1/15/2015	\$ 225.000
5	7/10/2014	\$ 48.750	1/15/2015	\$ 75.000

The gifted/inherited indicator in each tax lot will be flagged as “gifted”.



Cost Basis Reporting Guidelines

SCENARIOS LIST BEGINNING ACCOUNT DATA

Scenario 8 Single account, transfer The maximum number of whole shares to 5 people different names and TIN

Determination If tax lot identification is not provided we must allocate cost basis evenly across all accounts

Reg indicates Acquisition date and adjusted cost basis is always donors

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/C Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct# B.1 New	Cert	AV 1234	34	1/15/2015	Transfer				6	3/1/2009	uncovered	uncovered	G	1/15/2015	uncovered	3/1/2009	uncovered
									8	2/15/2014	76.000	9.500	G	1/15/2015	\$120.000	2/15/2014	\$76.000
									15	6/10/2014	150.000	10.000	G	1/15/2015	\$225.000	6/10/2014	\$150.000
									5	7/10/2014	48.750	9.750	G	1/15/2015	\$75.000	7/10/2014	\$48.750
									Total Current Cost Basis: \$274.750								
Acct# B.2 New	Cert	AV 1235	34	1/15/2015	Transfer				6	3/1/2009	uncovered	uncovered	G	1/15/2015	uncovered	3/1/2009	uncovered
									8	2/15/2014	76.000	9.500	G	1/15/2015	\$120.000	2/15/2014	\$76.000
									15	6/10/2014	150.000	10.000	G	1/15/2015	\$225.000	6/10/2014	\$150.000
									5	7/10/2014	48.750	9.750	G	1/15/2015	\$75.000	7/10/2014	\$48.750
									Total Current Cost Basis: \$274.750								
Acct# B.3 New	Cert	AV 1236	34	1/15/2015	Transfer				6	3/1/2009	uncovered	uncovered	G	1/15/2015	uncovered	3/1/2009	uncovered
									8	2/15/2014	76.000	9.500	G	1/15/2015	\$120.000	2/15/2014	\$76.000
									15	6/10/2014	150.000	10.000	G	1/15/2015	\$225.000	6/10/2014	\$150.000
									5	7/10/2014	48.750	9.750	G	1/15/2015	\$75.000	7/10/2014	\$48.750
									Total Current Cost Basis: \$274.750								
Acct# B.4 New	Cert	AV 1237	34	1/15/2015	Transfer				6	3/1/2009	uncovered	uncovered	G	1/15/2015	uncovered	3/1/2009	uncovered
									8	2/15/2014	76.000	9.500	G	1/15/2015	\$120.000	2/15/2014	\$76.000
									15	6/10/2014	150.000	10.000	G	1/15/2015	\$225.000	6/10/2014	\$150.000
									5	7/10/2014	48.750	9.750	G	1/15/2015	\$75.000	7/10/2014	\$48.750
									Total Current Cost Basis: \$274.750								
Acct# B.5 New	Cert	AV 1238	34	1/15/2015	Transfer				6	3/1/2009	uncovered	uncovered	G	1/15/2015	uncovered	3/1/2009	uncovered
									8	2/15/2014	76.000	9.500	G	1/15/2015	\$120.000	2/15/2014	\$76.000
									15	6/10/2014	150.000	10.000	G	1/15/2015	\$225.000	6/10/2014	\$150.000
									5	7/10/2014	48.750	9.750	G	1/15/2015	\$75.000	7/10/2014	\$48.750
									Total Current Cost Basis: \$274.750								

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: ACCOUNT TRANSFERS – GIFTED SHARES
SCENARIO 8 (Acct C): Transfer whole shares only to 5 Accounts, Gift, FMV.

DESCRIPTION:

Bruce Anderson has sent in a request to the TA to transfer all his shares held in his DRP Plan, split among five separate, new accounts, each with a different TIN, and issuing only whole shares. Since tax identification lots were not provided by Bruce, the original cost basis is allocated proportionately across all five new accounts. There appears to be no relationship to Bruce’s original account and no reason for the transfer was provided by Bruce, the transfer is considered a ‘gift’.

DETERMINATION:

Because Bruce did not make specific instructions, the 157.365 shares held in Bruce’s Plan account will be divided so that each of the 5 new shareholders receives 31 whole Book shares. Each new shareholder will receive a pro-rata share of each of Bruce’s existing shares with five individual tax lots that will carry forward the acquisition date and cost basis from Bruce’s data. Bruce will continue to hold the 2.365 shares after the transaction. Because Bruce did not specify which lots were to be transferred, FIFO was used, and that shares retained by Bruce were from the most recent lots acquired.

ACTIONS:

1. Bruce’s account currently holds 157.365 Plan shares:

a. 100 Shares	Acquisition Date 1/1/2014	Cost \$2,392.80
b. 1.416 Shares	Acquisition Date 3/1/2014	Cost \$ 33.882
c. 1.421 Shares	Acquisition Date 6/1/2014	Cost \$ 43.002
d. 50 Shares	Acquisition Date 6/15/2014	Cost \$ 1196.40
e. 2.284 Shares	Acquisition Date 9/1/2014	Cost \$ 54.652
f. 2.244 Shares	Acquisition Date 12/1/2014	Cost \$ <u>53.694</u>
		\$3,774.43
2. The TA will record the 31 shares gifted to each new shareholder in 5 new accounts as “Plan” shares. Each Plan account will have five tax lots that carry forward the Acquisition Date(s) and cost basis of the Plan shares referenced above.

RESULTS:

1. Bruce’s account will have 2.365 shares after this transfer has been completed.
2. Each of the 5 new accounts will have 31 Plan shares with a total cost basis of \$743.5681 after this transfer has been completed.

Basis retained by Bruce: \$56.5893

2.244 shares, Cost \$53.694

.121 shares, Cost \$54.652 \times (.121/2.284)=\$2.8953

Beginning cost basis: \$3,774.43

Less: Bruce’s retained CB \$(56.5893)

Cost basis to new accts \$3,717.8407

Divided by 5 \$743.5681 per account

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY (Cont'd.): ACCOUNT TRANSFERS – GIFTED SHARES

SCENARIO 8 (Acct C): Transfer whole shares only to 5 Accounts, Gift, FMV.

3. Each new account will also show that the 31 Book shares were received as a Gift, the date of the gift (1/15/2015), donor's acquisition date, the FMV on the gift date and the donor's cost basis.



Cost Basis Reporting Guidelines

Account	Asset Lot #	Shares	Effective Date	Transaction Type	Transaction Debit Date	Tax Lot	Original Acquisition date	Adjusted Date For Wash Sales	Adjusted/C Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct# C.0 Bruce and Plan Acct is avg. Transferred all shares Only Frac remaining	Plan 1	100	1/1/2014	Cash Contribution		0.121	9/1/2014	NA	2.895	23.928	NA	NA	NA	NA	
	Plan 2	1.416	3/1/2014	Div Rein @ .34		2.244	12/1/2014	NA	53.694	23.928	NA	NA	NA	NA	
	Plan 3	1.421	6/1/2014	Div Rein @ .34											
	Plan 4	50	6/15/2014	Cash Contribution											
	Plan 5	2.284	9/1/2014	Div Rein @ .34											
	Plan 6	2.244	12/1/2014	Div Rein @ .34											
	Plan 7	155	1/15/2015	Transfer out	1/15/2015										
Total Current Cost Basis: \$56,590															
Acct# C.1 New	Book	Book 1	31	1/15/2015	Transfer In		20	1/1/2014	\$478.560	23.928	G	1/15/2015	\$300.000	1/1/2014	\$0.000
							0.2832	3/1/2014	\$6.776	23.928	G	1/15/2015	\$4.248	3/1/2014	\$0.000
							0.2842	6/1/2014	\$6.800	23.928	G	1/15/2015	\$4.263	6/1/2014	\$0.000
							10	6/15/2014	\$239.280	23.928	G	1/15/2015	\$150.000	6/15/2014	\$0.000
							0.4326	9/1/2014	\$10.351	23.928	G	1/15/2015	\$6.489	9/1/2014	\$0.000
Current Cost Basis: \$741.767															
Acct# C.2 New	Book	Book 1	31	1/15/2015	Transfer In		20	1/1/2014	\$478.560	23.928	G	1/15/2015	\$300.000	1/1/2014	\$0.000
							0.2832	3/1/2014	\$6.776	23.928	G	1/15/2015	\$4.248	3/1/2014	\$0.000
							0.2842	6/1/2014	\$6.800	23.928	G	1/15/2015	\$4.263	6/1/2014	\$0.000
							10	6/15/2014	\$239.280	23.928	G	1/15/2015	\$150.000	6/15/2014	\$0.000
							0.4326	9/1/2014	\$10.351	23.928	G	1/15/2015	\$6.489	9/1/2014	\$0.000
Total Current Cost Basis: \$741.767															
Acct# C.3 New	Book	Book 1	31	1/15/2015	Transfer In		20	1/1/2014	\$478.560	23.928	G	1/15/2015	\$300.000	1/1/2014	\$0.000
							0.2832	3/1/2014	\$6.776	23.928	G	1/15/2015	\$4.248	3/1/2014	\$0.000
							0.2842	6/1/2014	\$6.800	23.928	G	1/15/2015	\$4.263	6/1/2014	\$0.000
							10	6/15/2014	\$239.280	23.928	G	1/15/2015	\$150.000	6/15/2014	\$0.000
							0.4326	9/1/2014	\$10.351	23.928	G	1/15/2015	\$6.489	9/1/2014	\$0.000
Total Current Cost Basis: \$741.767															
Acct# C.4 New	Book	Book 1	31	1/15/2015	Transfer In		20	1/1/2014	\$478.560	23.928	G	1/15/2015	\$300.000	1/1/2014	\$0.000
							0.2832	3/1/2014	\$6.776	23.928	G	1/15/2015	\$4.248	3/1/2014	\$0.000
							0.2842	6/1/2014	\$6.800	23.928	G	1/15/2015	\$4.263	6/1/2014	\$0.000
							10	6/15/2014	\$239.280	23.928	G	1/15/2015	\$150.000	6/15/2014	\$0.000
							0.4326	9/1/2014	\$10.351	23.928	G	1/15/2015	\$6.489	9/1/2014	\$0.000
Total Current Cost Basis: \$741.767															
Acct# C.5 New	Book	Book 1	31	1/15/2015	Transfer In		20	1/1/2014	\$478.560	23.928	G	1/15/2015	\$300.000	1/1/2014	\$0.000
							0.2832	3/1/2014	\$6.776	23.928	G	1/15/2015	\$4.248	3/1/2014	\$0.000
							0.2842	6/1/2014	\$6.800	23.928	G	1/15/2015	\$4.263	6/1/2014	\$0.000
							10	6/15/2014	\$239.280	23.928	G	1/15/2015	\$150.000	6/15/2014	\$0.000
							0.4326	9/1/2014	\$10.351	23.928	G	1/15/2015	\$6.489	9/1/2014	\$0.000
Total Current Cost Basis: \$741.767															

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: INHERITANCE/TRANSFER DUE TO DEATH
SCENARIO 9 (Acct A): Single Account Transfer to Estate.

DESCRIPTION:

John Smith has died. The Executor has sent in John’s 100 certificate shares to the TA along with a death certificate and valuation (as of 2/1/2015) and notified the TA that all shares are to be transferred to an “Estate Account” in the same name.

DETERMINATION:

All of John’s shares will be transferred into an Estate Account in Book form with a single tax lot. There will be no shares in John’s original account after the transaction.

ACTIONS/RESULTS:

1. John’s account currently holds 200 shares in Certificate, Book and Plan form:

Certificate Shares

- | | | | |
|----------|-----------|----------------------------|-------------------|
| a. A 123 | 25 Shares | Acquisition Date 9/10/2010 | Cost “noncovered” |
| b. A124 | 75 Shares | Acquisition Date 1/30/2014 | Cost \$ 750.00 |

Book Shares

- | | | | |
|-----------|-----------|----------------------------|----------------|
| c. Book 1 | 45 Shares | Acquisition Date 2/5/2014 | Cost \$ 360.00 |
| d. Book 2 | 30 Shares | Acquisition Date 2/25/2014 | Cost \$ 225.00 |

Plan Shares

- | | | | |
|-----------|-----------|----------------------------|----------------|
| e. Plan 1 | 15 Shares | Acquisition Date 3/21/2014 | Cost \$ 116.25 |
| f. Plan 2 | 10 Shares | Acquisition Date 6/21/2014 | Cost \$ 70.00 |

2. The TA will deposit John’s certificate shares, create a new account registered as an Estate Account and transfer the 200 shares in one lot to that account. These 200 shares will have a new acquisition date of 8/1/2014 – date of death – and a new cost basis equal to the valuation that the estate agent provided as of 2/1/2015.
3. John’s original account will have a zero balance (all shares debited) after this transfer has been completed.
4. The new Estate Account will have 200 Book shares with a cost basis of \$6,000.00*:

Book 1	200 Shares	Acquisition Date 8/1/2014	Cost \$6,000.00
--------	------------	---------------------------	-----------------

*The executor provided a valuation based on \$30/share as of 2/1/2015.

All share lots will be indicated as “*inherited*”.

***Note: Final IRS Regulations stipulate that if no valuation information is provided, then the agent should adjust (step up) the cost basis using the Fair Market Value (FMV) of the shares on the Date of Death (DoD). There is no requirement for the Agent to request any additional information from the authorized estate representative.**



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: INHERITANCE/TRANSFER DUE TO DEATH
SCENARIO 9 (Acct B): Single Account Transfer to Estate.

DESCRIPTION:

Sue Jones has died. The Executor has sent all of Sue’s certificate shares to the TA along with a death certificate and valuation (as of 2/15/2015) and notified the TA that all shares are to be transferred to an “Estate Account” in the same name.

DETERMINATION:

All of Sue’s shares will be transferred into an Estate Account with a single tax lot in Book form. There will be no shares in Sue’s original account after the transaction.

ACTIONS/RESULTS:

1. Sue’s account currently holds 170 Certificate shares:

a. J424	30 Shares	Acquisition Date 3/1/2009	Cost “noncovered”
b. J555	40 Shares	Acquisition Date 2/15/2014	Cost \$ 380.00
c. J888	75 Shares	Acquisition Date 6/10/2014	Cost \$ 750.00
d. J999	25 Shares	Acquisition Date 7/10/2014	Cost \$ 243.75
2. The TA will deposit Sue’s four certificates and then create a new Estate Account and transfer the 170 shares. These 170 shares will have a new acquisition date of 8/1/2014 – date of death – and a new cost basis equal to the valuation provided by the estate representative as of 2/15/2015.
3. Sue’s original account will have a zero balance (all shares debited) after this transfer has been completed.
4. The new Estate Account will have 170 Book shares with a cost basis of \$5,100.00*.

Book 1	170 Shares	Acquisition Date 8/1/2014	Cost \$5,100.000
--------	------------	---------------------------	------------------

*The estate representative provided a valuation based on \$30/share on 2/15/2015.

All share lots will be indicated as “*inherited*”.

***Note: Final IRS Regulations stipulate that if no valuation information is provided, then the agent should adjust (step up) the cost basis using the Fair Market Value (FMV) of the shares on the Date of Death (DoD). There is no requirement for the Agent to request any additional information from the authorized estate representative.**



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: INHERITANCE/TRANSFER DUE TO DEATH
SCENARIO 9 (Acct C): Single Account Transfer to Estate.

DESCRIPTION:

Bruce Anderson has died. The Executor notified the TA that all shares are to be transferred to an “Estate Account” in the same name and provided a death certificate and valuation (as of 2/15/2015).

DETERMINATION:

All of Bruce’s shares will be transferred into an Estate Account with a single tax lot. There will be no shares in Bruce’s original account after the transaction.

ACTIONS/RESULTS:

1. Bruce’s account currently holds 157.365 shares in his DRP Plan account:
 - a. 100 Shares Acquisition Date 1/1/2014 Cost \$2,392.80
 - b. 1.416 Shares Acquisition Date 3/1/2014 Cost \$ 33.882
 - c. 1.421 Shares Acquisition Date 6/1/2014 Cost \$ 43.002
 - d. 50 Shares Acquisition Date 6/15/2014 Cost \$1,196.40
 - e. 2.284 Shares Acquisition Date 9/1/2014 Cost \$ 54.652
 - f. 2.244 Shares Acquisition Date 12/1/2014 Cost \$ 53.694
2. The TA will create a new Estate Account and transfer the 157.365 shares into it. The 157.365 shares will have a new acquisition date of 12/10/2014 – date of death – and a new cost basis equal to the valuation provided by the estate representative as of 2/15/2015. (FMV = \$30/share)
3. Bruce’s original account will have a zero balance (all shares debited) after this transfer has been completed.
4. The new Estate Account will have 157.365 Book shares with a cost basis of \$4,720.95*.

Book 1 157.365 Shares Acquisition Date 12/10/2014 Cost \$ 4,720.95

*The estate representative provided a valuation based on \$30/share on 2/15/2015.

All lots will be indicated as “*inherited*”.

***Note: Final IRS Regulations stipulate that if no valuation information is provided, then the agent should adjust (step up) the cost basis using the Fair Market Value (FMV) of the shares on the Date of Death (DoD). There is no requirement for the Agent to request any additional information from the authorized estate representative.**



Cost Basis Reporting Guidelines

Scenario 9 Single account transfer all shares to Estate account of same name
 Single account transfer all shares to Estate account of same name
Determination Executor declares date of Death of death was 8/1/2014, Valuation Date of the estate to be 2/1/15
 FMV on 2/1/2015 is \$30.00 per share
 Acquisition date is the donors date of death

Result of Transaction All lots are debited from original account. New account is built with a current effective date.

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
<u>Acct# A New</u>		Book	Book1	200	1/15/2016	Transfer		200	8/1/2014		6,000.000	30	i					
Total Current Cost Basis:											\$6,000.000							

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
<u>Acct# B New</u>		Book	Book1	170	1/15/2016	Transfer		170	8/1/2014		5,100.000	30	i					
Total Current Cost Basis:											\$5,100.000							

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
<u>Acct# C Original</u>		Plan	Plan 1	100	1/1/2014	Cash Contribution												
			Plan 2	1.416	3/1/2014	Div Rein @ .34												
			Plan 3	1.421	6/1/2014	Div Rein @ .34												
			Plan 4	50	6/15/2014	Cash Contribution												
			Plan 5	2.284	9/1/2014	Div Rein @ .34												
			Plan 6	2.244	12/1/2014	Div Rein @ .34												
			Plan 8	157	1/15/2015	Transfer out												
			Plan 7	0.365	1/18/2015	Transfer out												
Total Current Cost Basis:											\$3,775.430							

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis	
<u>Acct# C New</u>		Book	Book 1	157.365	1/15/2015	Transfer		157.365	12/10/2014		4,720.950	\$30.000	i					
Total Current Cost Basis:											\$4,720.950							

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: INHERITANCE/TRANSFER DUE TO DEATH SCENARIO 10 (Acct A): Transfer to a “Survivor” upon Death.

DESCRIPTION:

John Smith has died and is survived by Jane Smith, his spouse. John and Jane were Joint Tenants with Rights of Survivorship (JTWROS). Jane has sent their jointly-owned 100 share certificate to the TA and notified them that John has died and asked to have their jointly-owned shares transferred to her as the surviving spouse. Jane also provided John’s death certificate indicating the date of death (DoD) as 8/1/2014 and the Fair Market Value (FMV) is \$30/share.

DETERMINATION:

All of their jointly-owned shares will be transferred into a new individual (single) account in Jane Smith’s name. Because Jane has identified herself as John’s wife and the account was registered as “JTWROS”, 50% of the shares are assumed to be owned by Jane. There will be no shares in John and Jane’s original Joint Tenant account after the transaction.

ACTIONS/RESULTS:

1. John and Jane’s account currently holds 200 shares in Certificate, Book and Plan form:

Certificate Shares

a. A 123	25 Shares	Acquisition Date 9/10/2010	Cost “noncovered”
b. A124	75 Shares	Acquisition Date 1/30/2014	Cost \$ 750.00

Book Shares

c. Book 1	45 Shares	Acquisition Date 2/5/2014	Cost \$ 360.00
d. Book 2	30 Shares	Acquisition Date 2/25/2014	Cost \$ 225.00

Plan Shares

e. Plan 1	15 Shares	Acquisition Date 3/21/2014	Cost \$ 116.25
f. Plan 2	10 Shares	Acquisition Date 6/21/2014	Cost \$ 70.00

2. The TA will transfer all of John and Jane’s jointly-held certificate shares to a new single account for Jane. Because this was a JTWROS registration, and they were husband and wife, the cost basis for 50% of the shares will need to be adjusted (“stepped up”) due to John’s death. Jane will have 200 shares after the transfer represented by the following tax lots:

25.0 Shares	Acquisition Date 9/10/2010	Cost “noncovered”
37.5 Shares	Acquisition Date 1/30/2014	Cost \$ 375.00
22.5 Shares	Acquisition Date 2/5/2014	Cost \$ 180.00
15.0 Shares	Acquisition Date 2/25/2014	Cost \$ 112.50
7.5 Shares	Acquisition Date 3/21/2014	Cost \$ 58.12
5.0 Shares	Acquisition Date 6/21/2014	Cost \$ 35.00
<u>87.5 Shares</u>	Acquisition Date 8/1/2014	Cost \$2,625.00

200.0 Shares

The gifted/inherited indicator in the tax lot with the acquisition date of 8/1/2014 will be flagged as “*inherited*”.

3. The original joint account will have a zero balance (all shares debited) after this transfer.

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TRANSACTION CATEGORY: INHERITANCE/TRANSFER DUE TO DEATH
SCENARIO 10 (Acct B): Transfer to a “Survivor” upon Death.

DESCRIPTION:

Sue Jones has died and is survived by Jean Jones, her sister. Sue and Jean were Joint Tenants (JT) on their account. The estate representative has sent all their jointly-owned certificate shares to the TA & notified the TA that Sue died on 8/1/2014 and that the FMV of the shares was \$30/share as of 2/15/2015, the estate valuation date. The estate representative indicated that Sue owned 75% of the shares and Jean owned 25%.

DETERMINATION:

All of the jointly-owned shares will be transferred into a new individual (single) account in Jean Jones’ name. Because the estate representative indicated the portion of shares owned by each sister, the TA will adjust Jean’s cost basis on the inherited shares accordingly. There will be no shares in the original joint account after the transaction.

ACTIONS/RESULTS:

1. Sue and Jean’s account currently holds 170 shares in Certificate form:
 - a. J424 30 Shares Acquisition Date 3/1/2009 Cost “noncovered”
 - b. J555 40 Shares Acquisition Date 2/15/2014 Cost \$ 380.00
 - c. J888 75 Shares Acquisition Date 6/10/2014 Cost \$ 750.00
 - d. J999 25 Shares Acquisition Date 7/10/2014 Cost \$ 243.75
2. The TA will transfer the 170 certificate shares into a new single account in Jean’s name. Jean’s cost basis for will be adjusted (stepped up) for the 75% of the shares formerly owned by Sue. Because there were no further instructions, the 170 shares will held in book form.

Jean’s new Account will have 170 Book shares represented by the following tax lots:

30.00 Shares	Acquisition Date 3/1/2009	Cost	“noncovered”
10.00 Shares	Acquisition Date 2/15/2014	Cost	\$ 95.000
18.75 Shares	Acquisition Date 6/10/2014	Cost	\$ 187.500
6.25 Shares	Acquisition Date 7/10/2014	Cost	\$ 60.937
<u>105.00 Shares</u>	Acquisition Date 8/1/2014	Cost	\$ 3,150.00
170.00 Shares			

The gifted/inherited indicator in the tax lot with the acquisition date of 8/1/2014 will be flagged as “*inherited*”.
3. The original joint account will have a zero balance (all shares debited) after this transfer.



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: INHERITANCE/TRANSFER DUE TO DEATH
SCENARIO 10 (Acct C): Transfer to a “Survivor” upon Death.

DESCRIPTION:

Bruce Anderson has died and is survived by Daisy Duke, his spouse. Bruce and Daisy’s account is registered at Joint Tenants. Daisy has notified the TA that Bruce died on 8/1/2014 and that all shares are to be transferred to Daisy Duke. The TA is not notified that they were husband and wife or about what portion of the position was owned by the deceased and was not provided with the FMV of the shares.

DETERMINATION:

All of the jointly-owned shares will be transferred into a “Book” Account with a single tax lot with an acquisition date of 8/1/2014 – date of death. Because the TA cannot ascertain the relationship between Bruce and Daisy (and therefore cannot determine the portion of the account to be stepped up) the cost basis will be “noncovered”.

ACTIONS/RESULTS:

1. Bruce’s account currently holds 157.365 Plan shares:

a. 100 Shares	Acquisition Date 1/1/2014	Cost \$2,392.800
b. 1.416 Shares	Acquisition Date 3/1/2014	Cost \$ 33.882
c. 1.421 Shares	Acquisition Date 6/1/2014	Cost \$ 43.002
d. 50 Shares	Acquisition Date 6/15/2014	Cost \$1,196.400
e. 2.284 Shares	Acquisition Date 9/1/2014	Cost \$ 54.652
f. 2.244 Shares	Acquisition Date 12/1/2014	Cost \$ 53.694
2. The TA will create a new single account for Daisy and transfer the 157.365 shares and record them in book form (no Plan enrollment form was provided). This example assumes the fractional shares will be transferred to the new account. Transfer agent practices may differ.
3. These 157.365 shares will have an acquisition date of 8/1/2014 and a cost basis of “noncovered”. (If Daisy provides the TA, at a later date, the portion of shares owned by Bruce, the TA will adjust her basis to reflect the stepped up value of Bruce’s shares).

157.365 Shares Acquisition Date 8/1/2014 Cost “noncovered”

The gifted/inherited indicator in the single tax lot with the acquisition date of 8/1/2014 will be flagged as “*inherited*”.

4. Bruce and Daisy’s original joint account will have zero shares (all shares debited) after this transfer.



Cost Basis Reporting Guidelines

[SCENARIOS LIST](#)
[BEGINNING ACCOUNT DATA](#)

Scenario 10 Transfer from Joint Ten / Tenants Ent to Surviving Spouse DOD 12/1/29 FMV on DOD \$50.00 per share
 Instructions for Acct C do not include information about what portion of the position was owned by deceased

Determination

Use accounts from Scenario 1
 Unless complete information is provided by the surviving spouse, then the tax lot is uncovered.
 If tax lot break down is received apply step up to the inherited shares.

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct A	Jane Smith	Book	Book 1	200	2/10/2030	Transfer		25.000	Uncovered		uncovered	uncovered	i				
								37.500	1/30/2014	375.000	10.00						
								22.500	2/5/2014	180.000	8.00						
								15.000	2/25/2014	112.500	7.50						
								7.500	3/21/2014	58.120	7.75						
								5.000	6/21/2014	35.000	7.00						
								87.500	8/1/2014	2,625.000	30.00						

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct B	Sue Jones	Book	Book 1	170	2/10/2030	Transfer		30.000	uncovered		uncovered	uncovered	i				
								10.000	2/15/2014	95.00	9.50						
								18.750	6/10/2014	187.50	10.00						
								6.250	7/10/2014	60.94	9.75						
								105.000	8/1/2014	3,150.00	30.00						

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct C	Bruce Anderson	Plan	Plan	157.365	2/10/2030	Transfer In		157.365	uncovered		uncovered	uncovered	i				

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COST BASIS REPORTING SET III – SALE OF SHARES

This section contains the following scenarios:

- Deposit Certificates and Sell 30 Shares
- Sell All My Shares



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: SALE OF SHARES (Only if Shareholder is not Averaging)

SCENARIO 11 (Acct A): Deposit my certificates and sell 30 shares.

DESCRIPTION:

John Smith currently has 200 shares in his account held in Certificate, Book and Plan form with a total cost basis of \$1,521.25. John would like to deposit his certificate shares into his DRP plan and then sell 30 shares. He has enclosed his two certificates – A123 representing 25 shares and A124 representing 75 shares.

DETERMINATION:

The TA will deposit John’s two certificates into his DRP and then sell 30 shares. Because John presented his certificate shares, the TA will treat this as a specific share transaction – the 30 shares will be sold from the lots represented by the certificates on a First In First Out (FIFO) basis. Note: Because this is a specific-identification share transaction, the TA must provide written confirmation within a reasonable time after the sale.

ACTIONS/RESULTS:

1. John’s two certificates will be deposited to his DRP plan as one asset lot with two tax lots as follows:
 - a. A123 25 Shares Acquisition Date 9/10/2010 Cost “Noncovered”
 - b. A124 75 Shares Acquisition Date 1/30/2014 Cost \$ 750.000

The 25 shares acquired before 1/1/2011 are “noncovered” (acquired before the effective date of IRS Rule 101896-09101896-09 so there is no need to record or carry forward any cost basis information. The 75 shares are considered “covered” (acquired after the effective date), therefore, both the acquisition date and the cost basis for these shares will carry forward to the plan lots.
2. The TA will now process John’s request to sell 30 shares from the Plan share lots associated with the certificate deposit.
 - a. The lot with 25 shares with an acquisition date of 9/10/2010 will be sold first and then 5 shares will be sold from the 75 share lot with an Acquisition Date of 1/30/2014.
 - b. The Plan share lot will reflect the 70 remaining shares with an Acquisition Date of 1/30/2014 and an *adjusted cost basis* of \$700.000.
3. A 1099 B will be generated for this sale with the following tax lot information:

<u>Tax Lot</u>	<u>Acquisition Date</u>	<u>Adjusted/Current Cost Basis</u>
25 Shares	9/10/2010	“noncovered”
5 Shares	1/30/2014	\$ 50.000

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: SALE OF SHARES (Only if Shareholder is Not Averaging)

SCENARIO 11 (Acct B): Deposit my certificates and sell 30 shares.

DESCRIPTION:

Sue Jones currently has 170 shares in her account held in Certificate form with a total cost basis attributable to the covered shares of \$1,373.50. Sue would like to deposit these certificate shares into her DRP plan and then sell 30 shares. She has enclosed her four certificates for deposit.

DETERMINATION:

The TA will deposit Sue’s four certificates into her DRP plan and then sell 30 shares. Because Sue presented her certificate shares, the TA will treat this as a specific share transaction – the 30 shares will be sold from the lots represented by the certificates on a First In First Out (FIFO) basis. Note: Because this is a specific-identification share transaction, the TA must provide written confirmation within a reasonable time after the sale.

ACTIONS/RESULTS:

1. Sue’s four certificates will be deposited to her DRP plan as one asset lot with four tax lots as follows:
 - a. 30 Shares Acquisition Date 3/1/2009 Cost “Noncovered”
 - b. 40 Shares Acquisition Date 2/15/2014 Cost \$ 380.000
 - c. 75 Shares Acquisition Date 6/10/2014 Cost \$ 750.000
 - d. 25 Shares Acquisition Date 7/10/2014 Cost \$ 243.750

The 30 shares acquired before 1/1/2011 are “noncovered” (acquired before the effective date of IRS Rule 101896-09) so there is no need to record or carry forward any cost basis information. The remaining shares are considered “covered” (acquired after the effective date), therefore, both the acquisition date and the cost basis for these shares will carry forward to the plan lots.
3. The TA will now process Sue’s request to sell 30 shares from the Plan share lots associated with the certificate deposit.
 - a. Because the first Plan lot is exactly 30 shares, that lot will be sold in its entirety.
4. A 1099 B will be generated for this sale with the following tax lot information:

<u>Tax Lot</u>	<u>Acquisition Date</u>	<u>Adjusted/Current Cost Basis</u>
30 Shares	3/1/2009	“noncovered”



Cost Basis Reporting Guidelines

[SCENARIOS LIST](#)
[BEGINNING ACCOUNT DATA](#)

Scenario 11 Deposit my certs and sell 30 shares

Determination Presentation of certs indicates specific shares

If less than all shares of certificates are sold apply FIFO within the certificate presented to any underlying lots

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or Inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis			
Acct# A New	John Smith	Cert A123	25.000	9/10/2010	Transfer	1/15/2015	TRA													
		Cert A124	75.000	1/30/2014	Transfer	1/15/2015	Transfer													
		Book Book 1	45.000	2/5/2014	Transfer				45.000	2/5/2014		360.000	8.000							
		Book Book 2	30.000	2/25/2014	Transfer				30.000	2/25/2014		225.000	7.500							
		Plan Plan 1	15.000	3/21/2014	Cash Contribution				15.000	3/21/2014		116.250	7.750							
		Plan Plan 2	10.000	6/21/2014	Cash Contribution				10.000	6/21/2014		70.000	7.000							
		Plan Plan 3	100.000	1/15/2015	Deposit															
		Plan Plan	30.000	1/18/2015	Sell				70.000	1/30/2014		700.000	10.000	10						
		Total Current Cost Basis:											\$1,471.250							
		1099 B Reportable Tax Lot Level																		
											25	9/10/2010	uncovered							
											5	1/30/2014	50.000	\$10.000						

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or Inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis		
Acct # B	Sue Jones	Cert J424	30.000	3/1/2009	Transfer	1/15/2015	Transfer												
		J555	40.000	2/15/2014	Transfer	1/15/2015	Transfer												
		J888	75.000	6/10/2014	Transfer	1/15/2015	Transfer												
		J999	25.000	7/10/2014	Transfer	1/15/2015	Transfer												
		Plan Plan	170.000	1/15/2015	Deposit				40.000	2/15/2014		\$380.000	\$9.500						
		Plan Plan							75.000	6/10/2014		750.000	\$10.000						
		Plan Plan	30.000	1/18/2015	Sell				25.000	7/10/2014		243.750	\$9.750						
Total Current Cost Basis:											\$1,373.750								
1099 B Reportable Tax Lot Level																			
											30	3/1/2009	uncovered	uncovered					

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Current Basis Cost	Cost Basis per share	Gifted or Inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis
Acct # C		N/A no book shares															

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: SALE OF SHARES

SCENARIO 12 (Acct A): Sell All My Shares

DESCRIPTION:

John Smith has sent instructions to the TA to deposit his book and certificate shares and sell all 200 shares in his account that are held with a total cost basis of \$1,521.25. John has sent in his two certificates – A123 representing 25 shares and A124 representing 75 shares.

DETERMINATION:

The TA will deposit John’s certificates and book shares to his plan and process the sell for all shares. After the sale, all lots will have been debited from John’s account. This transaction will generate a 1099B for tax purposes that will contain information on the individual tax lots sold including the proceeds, cost basis, gain or loss, and short-term/long-term indicator. The sale occurs on May 20, 2015 at \$20/share.

ACTIONS/RESULTS:

1. John has 200 Shares with a total cost basis of \$1,521.25 held in the following form:

Certificate shares – John has two certificates representing 100 shares:

- a. A123 25 Shares Acquisition Date 9/10/2010 Cost “Noncovered”
- b. A124 75 Shares Acquisition Date 1/21/2014 Cost \$750.000

The 25 shares acquired before 1/1/2011 are “noncovered” (acquired before the effective date of IRS Rule 101896-09 so there is no need to record or carry forward any cost basis information. The 75 shares are considered “covered” (acquired after the effective date), therefore, all cost basis data will carry forward to the plan.

Book shares – John has 75 shares represented by two tax lots

- a. 45 Shares Acquisition Date 2/5/2014 Cost \$360.000
- b. 30 Shares Acquisition Date 2/25/2014 Cost \$225.000

Plan shares - John has 25 plan shares represented by two tax lots acquired by “Cash Contributions”

- a. 15 Shares Acquisition Date 3/21/2014 Cost \$116.250
- b. 10 Shares Acquisition Date 6/21/2014 Cost \$ 70.000

2. The TA will first deposit the two certificates and book shares into the plan, then process the sell all transaction. After the sale, all lots will have been debited from John’s account.

A 1099 B will be generated for this sale with the following tax lot information:

3. **Box 1a** [not required] **Box 2** **Adjusted/Current Box 8**

<u>Tax Lot</u>	<u>Sale Date</u>	<u>Acquisition Date</u>	<u>Proceeds</u>	<u>Cost Basis</u>	<u>Gain/Loss/Type</u>
25 Shares		9/10/2010		noncovered	----
75 Shares		1/30/2014	1500	\$ 750.000	750/LT
45 Shares		2/5/2014	900	\$ 360.000	540/LT
30 Shares		2/25/2014	600	\$ 225.000	375/LT
15 Shares		3/21/2014	300	\$ 116.250	83.50/LT
10 Shares		6/21/2014	200	\$ 70.000	130/ST

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: SALE OF SHARES

SCENARIO 12 (Acct B): Sell All My Shares

DESCRIPTION:

Sue Jones has sent instructions to the TA to enroll in the plan and sell all 170 shares in her account that are held with a total cost basis of \$1,373.75. Sue has sent in her four certificates to complete the transaction.

DETERMINATION:

The TA will deposit Sue's certificates to the Plan and process the sell for all shares. After the sale, all lots will have been debited from Sue's account. This transaction will generate a 1099B for tax purposes that will contain information on the individual tax lots sold including the proceeds, cost basis, gain or loss, and short-term/long-term indicator. The sale occurs on May 20, 2015 at \$20/share.

ACTIONS/RESULTS:

1. Sue has 170 Shares with a total cost basis of \$1,373.75 held in the four Certificates:
 - a. J424 30 Shares Acquisition Date 3/1/2009 Cost "Noncovered"
 - b. J555 40 Shares Acquisition Date 2/15/2014 Cost \$380.000
 - c. J888 75 Shares Acquisition Date 6/10/2014 Cost \$750.000
 - d. J999 25 Shares Acquisition Date 7/10/2014 Cost \$243.750

The 30 shares acquired before 1/1/2011 are "noncovered" (acquired before the effective date of IRS Rule 101896-09) so there is no need to record or carry forward any cost basis information. All other shares are considered "covered" (acquired after the effective date), therefore, the cost basis data is carried forward.

2. The TA will first deposit the four certificates and then process the sell all transaction. After the sale, all lots will have been debited from Sue's account.
3. A 1099-B will be generated for this sale with the following tax lot information:

<u>Tax Lot</u>	<u>Proceeds</u>	<u>Acquisition Date</u>	<u>Cost Basis</u>	<u>G/L/Typ</u>
30 Shares	600	3/1/2009	noncovered	-----
40 Shares	800	2/15/2014	\$ 380.000	420/LT
75 Shares	1,500	6/10/2014	\$ 750.000	750/ST
25 Shares	500	7/10/2014	\$ 243.750	256.25/ST

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: SALE OF SHARES

SCENARIO 12 (Acct C): Sell All My Shares

DESCRIPTION:

Bruce Anderson has sent instructions to the TA to sell all full and fractional shares (157.365) in his DRP Plan account with a total cost basis of \$3,765.43.

DETERMINATION:

The TA will process the sell for all shares (full and fractional). After the sale, all lots will have been debited from Bruce's account. This transaction will generate a 1099B for tax purposes that will contain information on the individual tax lots sold including the proceeds, cost basis, gain or loss, and short-term/long-term indicator. The sale occurs on May 20, 2015 at \$20/share.

ACTIONS/RESULTS:

- Bruce's current account has 157.365 Plan shares held in the following six lots:

1. 100 Shares	Acquisition Date 1/1/2014	Cost \$2,392.800
2. 1.416 Shares	Acquisition Date 3/1/2014	Cost \$ 33.882
3. 1.421 Shares	Acquisition Date 6/1/2014	Cost \$ 34.002
4. 50 Shares	Acquisition Date 6/15/2014	Cost \$1,196.400
5. 2.284 Shares	Acquisition Date 9/1/2014	Cost \$ 54.652
6. 2.244 Shares	Acquisition Date 12/1/2014	Cost \$ 53.694

All of Bruce's shares were acquired after the effective date of IRS Rule 101896-09 and tax lot detail including the proceeds, cost basis, gain or loss, and short-term/long-term indicator is reportable on 1099B.

- The TA will process the sale for full and fractional shares. After the sale, all lots will have been debited from Bruce's account.
- A 1099B will be generated for this transaction with the following tax lot information:

<u>Tax Lot</u>	<u>Acquisition Date</u>	<u>Adjusted/Current Cost Basis</u>	
100 Shares	1/1/2014	\$2,392.800	
1.416 Shares	3/1/2014	\$ 33.882	
1.421 Shares	6/1/2014	\$ 34.002	
50 Shares	6/15/2014	\$1,196.400	
2.284 Shares	9/1/2014	\$ 54.652	
2.244 Shares	12/1/2014	\$ 53.694	
Box 1a	Box 2	Box 7	Box 8
Sale Date	Proceeds	Gain/Loss	Gain/Loss Type
5/20/15	\$2000	\$(392.80)	LT
5/20/15	\$28.32	\$(5.56)	LT
5/20/15	\$28.42	\$(5.58)	ST
5/20/15	\$1000	\$(196.40)	ST
5/20/15	\$45.68	\$(8.57)	ST
5/20/15	\$44.88	\$(8.81)	ST

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Cost Basis Reporting Guidelines

SCENARIOS LIST
BEGINNING ACCOUNT DATA

Scenario 12 Sell All my Shares @ \$20.00 per shares

Result of Transaction

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Curr ent Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis		
Acct# A New	John Smith	Cert	A123	25	9/10/2010	Transfer	1/15/2015	Book Deposit											
		Cert	A124	75	1/30/2014	Transfer	1/15/2015	Book Deposit											
		Book	Book 1	45	2/5/2014	Transfer	1/18/2015	Sell											
		Book	Book 2	30	2/25/2014	Transfer	1/18/2015	Sell											
		Book	Book 3	100	1/15/2015	Deposit	1/18/2015	Sell											
		Plan	Plan	15	3/21/2014	Cash Contribution													
		Plan	10	6/21/2014	Cash Contribution														
		Plan	25	1/18/2015	Sell														
										1099 B Reportable Tax Lot Level									
										25	9/10/2010	uncovered	uncovered	Gross proceeds only					
										75	1/30/2014	\$750,000	\$10,000	LT Loss					
										45	2/5/2014	\$360,000	\$8,000	LT Gain					
										30	2/25/2014	\$225,000	\$7,500	LT Gain					
										15	3/21/2014	\$116,250	\$7,750	ST Gain					
										10	6/21/2014	\$70,000	\$7,000	ST Gain					

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Curr ent Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis		
Acct# B	Sue Jones	Cert	J424	30	3/1/2009	Transfer	1/15/2015	Book Deposit											
		Cert	J555	40	2/15/2014	Transfer	1/15/2015	Book Deposit											
		Cert	J888	75	6/10/2014	Transfer	1/15/2015	Book Deposit											
		Cert	J999	25	7/10/2014	Transfer	1/15/2015	Book Deposit											
		Book	Book 1	170	1/15/2012	Deposit	1/18/2015	Sell											
										1099 B Reporting									
										30	3/1/2009	uncovered	uncovered	Gross Proceeds					
										40	2/15/2014	\$380,000	\$9,500	LT Gain					
										75	6/10/2014	\$750,000	\$10,000	ST Gain					
										25	7/10/2014	\$243,750	\$9,750	ST Gain					

Account	Title	Asset Lot #	Shares	Effective	Transaction Type	Debit Date	Transaction Type	Tax Lot	Original Acquisition date	Adjusted Acquis Date For wash Sales	Adjusted/Curr ent Basis Cost	Cost Basis per share	Gifted or inherited	DATE of GIFT	FMV on Gift Date	Donors Acquis Date	Donors Cost Basis			
Acct# C	Bruce Anderson	Plan	Plan 1	100	1/1/2014	Direct Purchase														
		Plan 2	1,416	3/1/2014	Div Rein @ .34															
		Plan 3	1,421	6/1/2014	Div Rein @ .34															
		Plan 4	50	6/15/2014	Direct Purchase															
		Plan 5	2,284	9/1/2014	Div Rein @ .34															
		Plan 6	2,244	12/1/2014	Div Rein @ .34															
		Plan 7	157,365	1/18/2015	Sell															
										1099 B Reporting										
										100	1/1/2014	\$2,392,800	\$23,928	LT Loss						
										1,416	3/1/2014	\$33,882	\$23,928	LT Loss						
										1,421	6/1/2014	\$34,002	\$23,928	ST Loss						
										50	6/15/2014	\$1,196,400	\$23,928	ST Loss						
										2,284	9/1/2014	\$54,652	\$23,928	ST Loss						
										2,244	12/1/2014	\$53,694	\$23,928	ST Loss						

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COST BASIS REPORTING SET IV

CORPORATE ACTION SCENARIOS

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TRANSACTION CATEGORY: CORPORATE ACTIONS

EXPECTED RESULTS:

Unlike Transfer requests that are initiated by a shareowner or their agent, Corporate Actions are initiated by the corporation (issuer). A corporation may announce a particular action, like a stock split, to increase trading activity in their stock. Or, they might announce an action that would reflect some form of corporate reorganization, like a spin-off or the merger of two corporate entities. And, in some cases, the corporation may announce an offer to buyback shares in the company (a tender).

Any of these Corporate Actions could result in *adjustments* to the most recent cost basis of shares held in a registered owner's account. The following pages provide detailed examples on a number of different corporate action scenarios – both taxable and non-taxable that a TA may encounter. The new IRS regulations on Cost Basis Reporting now require that TAs record corporate actions and adjust shareowner tax lot information to reflect the impact of the action on cost basis for any covered securities.

TRANSACTION CATEGORY: BASIC CORPORATE STOCK SPLIT

SCENARIO 13: Shareholder receives 3 ‘new’ shares for every 2 ‘old’ shares held

DESCRIPTION:

ABC Corp has declared a “3 for 2 stock split”. Stock splits are frequently declared by corporations to reduce the cost/share, thereby making the stock more affordable, and increasing trading volume of the stock on the stock exchanges. In this example, the “stock split” means that for each shareholder, for every 2 “old” shares of record for ABC Corp., the TA will cancel those old, currently existing shares and replace them with 3 “new” shares of ABC Corp. The number of shares and cost basis/share detail for each shareholder will change, but the total cost basis of shares held by each shareholder will remain the same.

DETERMINATION:

The TA’s detail record for ABC will be changed to reflect that John now owns 3 “new” shares for every 2 “old” shares of ABC that John previously owned on the “as of date” of the stock split. The TA’s detail record will show adjusted individual tax lots that will carry forward the Acquisition Date and adjusted cost/share basis from John Smith’s pre-split data.

ACTIONS:

1. John’s account currently holds 1,500 shares:

500 Shares	Acquired on 2/3/2011	Total Cost \$9,500	Per Share Cost \$ 19.00
1000 Shares	Acquired on 6/10/2011	Total Cost \$8,600	Per Share Cost \$ 8.60
2. The TA can handle this split either of two ways:
 - a. The TA can ‘adjust’ the original tax lot of the original “old” shares reflecting the combined number of “old” and “new” shares as a single tax lot, with the adjusted cost/share.
 - b. The more common treatment is for the TA to create “new” tax lots for the “new” shares issued, with adjusted cost/share, for each lot of the “old” shares held. The “old” tax lots will also be carried forward, with the cost/share also adjusted.

RESULTS:

1. John’s account will have 2,250 shares with a total cost basis of \$18,100 after this transaction has been completed. Each new share will have a cost/share as shown below:

Alternative #1: John’s account will hold 2,250 shares:			
a. 750 Shares	Acquired on 2/3/2011	Total Cost \$9,500	Per Share Cost \$ 12.67
b. 1500 Shares	Acquired on 6/10/2011	Total Cost \$8,600	Per Share Cost \$ 5.73
Alternative #2: John’s account will hold 2,250 shares:			
a. 500 Shares	Acquired on 2/3/2011	Total Cost \$6,333	Per Share Cost \$ 12.67
b. 250 Shares	Acquired on 2/3/2011	Total Cost \$3,167	Per Share Cost \$ 12.67
c. 1000 Shares	Acquired on 6/10/2011	Total Cost \$5,733	Per Share Cost \$ 5.73
d. 500 Shares	Acquired on 6/10/2011	Total Cost \$2,867	Per Share Cost \$ 5.73

TRANSACTION CATEGORY: BASIC CORPORATE STOCK SPLIT

SCENARIO 13: Shareholder receives 3 “new” shares for every 2 “old” shares held

EXAMPLE

INPUT AREAS

STOCK SPLIT (FORWARD) RATIO:
 Receive Shares
 for every Share(s)

TRANSACTIONS BEFORE FORWARD SPLIT						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2011	500	\$ 9,500	\$	19.00
2	BUY	6/10/2011	1000	\$ 8,600	\$	8.60

TRANSACTIONS AFTER FORWARD SPLIT						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2011	750	\$ 9,500	\$	12.67
2	BUY	6/10/2011	1500	\$ 8,600	\$	5.73

TRANSACTIONS AFTER FORWARD SPLIT--ALTERNATIVE PRESENTATION						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1a	BUY	2/3/2011	500	\$ 6,333	\$	12.67
1b	BUY	2/3/2011	250	\$ 3,167	\$	12.67
2a	BUY	6/10/2011	1000	\$ 5,733	\$	5.73
2b	BUY	6/10/2011	500	\$ 2,867	\$	5.73

TRANSACTION CATEGORY: BASIC CORPORATE **REVERSE** STOCK SPLIT
SCENARIO 14: Shareholder receives 1 ‘new’ share for every 10 ‘old’ shares held.

DESCRIPTION:

ABC Corp has declared a “1 for 10 **reverse** stock split” on December 1, 2012. Reverse stock splits are declared by corporations to reduce the number of shares outstanding and increase the cost/share. In this example, the “reverse stock split” means that for each shareholder, for every 10 “old” shares of record for ABC Corp., the TA will cancel those old, currently existing shares and replace them with 1 “new” share of ABC Corp. The number of shares and cost basis/share detail for each shareholder will change, but the total cost basis of shares held by each shareholder will remain the same.

DETERMINATION:

The TA’s detail record for John Smith will be changed to reflect that John owns 1 “new” share for every 10 “old” shares John previously owned on the “as of date” of the reverse stock split. The TA’s detail record will show adjusted individual tax lots that will carry forward the Acquisition Date and adjusted cost/share basis from John Smith’s pre-split data.

ACTIONS:

1. John’s account currently holds 1,531.11 shares:
 - a. 635.25 Shares Acquired on 2/3/2011 Total Cost \$9,500 Per Share Cost \$ 14.95
 - b. 895.86 Shares Acquired on 6/10/2011 Total Cost \$8,600 Per Share Cost \$ 9.60
2. In a reverse stock split, any “old” share certificates outstanding will always be cancelled and “new” certificates issued. Typically, the Corporation redeems “fractional shares” after the reverse split for cash:
 - a. The TA will create “new” tax lots for the “new” shares issued, with adjusted cost/share, for each lot of the “old” shares held. While the individual tax lots will continue to hold fractional shares, any fractional shares held in total will be redeemed, so that John’s total position only reflects whole shares.
 - b. The Fractional shares are redeemed for cash. The fractional shares redeemed and cost is deducted from the oldest tax lot on a FIFO Basis.

RESULTS:

1. John’s account will initially have 153.111 shares with a total cost basis of \$18,100 after this transaction has been completed. Each new share will have a cost/share as shown below:
 - a. 63.525 Shares Acquired on 2/3/2011 Total Cost \$9,500 Per Share Cost \$149.55
 - b. 89.586 Shares Acquired on 6/10/2011 Total Cost \$8,600 Per Share Cost \$ 96.00
2. Sale of 0.111 fractional shares will result in John owning 153 whole new shares. The 0.111 shares will be redeemed from the oldest tax lot at a cost of \$16.60. ($\$9,500/63.525$ “new” shares x 0.111 shares = \$16.60). The shares were sold at a price of \$20/share.



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: BASIC CORPORATE REVERSE STOCK SPLIT

SCENARIO 14 Cont'd: Shareholder receives 1 'new' share for every 10 'old' shares held.

- After the redemption of the 0.111 fractional shares, John's account will have 153 shares with a total cost basis of \$18,083.40 after this transaction has been completed. Each new share will have a cost/share as shown below:

63.414 Shares	Acquired on 2/3/2011	Total Cost \$9,483.40	Per Share Cost \$149.55
89.586 Shares	Acquired on 6/10/2011	Total Cost \$8,600	Per Share Cost \$ 96.00

4. Tax Reporting

1099-B: Sell 0.111 sh ABC	Proceeds	\$ 2.22
	Basis	\$16.60
	Loss	\$14.38
	Category	Short-Term
	Trade Date	12/1/12

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: BASIC CORPORATE REVERSE SPLIT
SCENARIO 14: Shareholder receives 1 “new” share for every 10 “old” shares held.

EXAMPLE

INPUT AREAS

STOCK SPLIT (REVERSE) RATIO:
 Receive Share(s)
 for every Shares

TRANSACTIONS BEFORE REVERSE SPLIT					
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST
1	BUY	2/3/2009	635.25	\$ 9,500.00	\$ 14.95
2	BUY	6/10/2009	895.86	\$ 8,600.00	\$ 9.60

TRANSACTIONS AFTER REVERSE SPLIT					
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST
1	BUY	2/3/2009	63.525	\$ 9,500.00	\$ 149.55
2	BUY	6/10/2009	89.586	\$ 8,600.00	\$ 96.00
		Total	153.111		
		Less: Fractional share	0.111	\$ 16.60	
		Net whole shares	153		

TRANSACTIONS AFTER REVERSE SPLIT--FRACTIONAL SHARE SOLD					
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST
1	BUY	2/3/2009	63.414	\$ 9,483.40	\$ 149.55
2	BUY	6/10/2009	89.586	\$ 8,600.00	\$ 96.00
		Total	<u>153</u>		



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: NON-TAXABLE STOCK DIVIDEND

SCENARIO 15: Shareholder receives 0.05 ‘new’ shares for every 1 share held

DESCRIPTION:

ABC Corp has declared a “stock dividend”, awarding 0.05 shares for each 1 share outstanding. Stock dividends are declared by corporations sometimes to maintain a consistent share price.

DETERMINATION:

The TA’s detail record for John Smith will be changed to reflect that John owns 0.05 “new” shares for every 1 “old” share John previously owned on the “as of date” of the stock dividend. The TA’s detail record will show adjusted individual tax lots that will carry forward the Acquisition Date and adjusted cost/share basis from John Smith’s pre-split data.

ACTIONS:

1. John’s account currently holds 1,500 shares:
 - a. 500 Shares Acquired on 2/3/2011 Total Cost \$9,500 Per Share Cost \$ 19.00
 - b. 1000 Shares Acquired on 6/10/2011 Total Cost \$8,600 Per Share Cost \$ 8.60
2. The TA can handle this split either of two ways:
 - a. The more common treatment is for the TA to create “new” tax lots for the “new” shares issued, with adjusted cost/share, for each lot of the “old” shares held. The “old” tax lots will also be carried forward, with the cost/share also adjusted.
 - b. Or, the TA can ‘adjust’ the original tax lot of the original “old” shares reflecting the combined number of “old” and “new” shares as a single tax lot, with the adjusted cost/share.

RESULTS:

1. John’s account will have 1,575 shares with a total cost basis of \$18,100 after this transaction has been completed. Each new share will have a cost/share as shown below:

Alternative #1: John’s account will hold 1,575 shares:

 - a. 500 Shares Acquired on 2/3/2011 Total Cost \$9,048 Per Share Cost \$ 18.10
 - b. 25 Shares Acquired on 2/3/2011 Total Cost \$ 452 Per Share Cost \$ 18.10
 - c. 1000 Shares Acquired on 6/10/2011 Total Cost \$8,190 Per Share Cost \$ 8.19
 - d. 50 Shares Acquired on 6/10/2011 Total Cost \$ 410 Per Share Cost \$ 8.19

Alternative #2: John’s account will hold 1,575 shares:

 - a. 525 Shares Acquired on 2/3/2011 Total Cost \$9,500 Per Share Cost \$ 18.10
 - b. 1050 Shares Acquired on 6/10/2011 Total Cost \$8,600 Per Share Cost \$ 8.19

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TRANSACTION CATEGORY: NON-TAXABLE STOCK DIVIDEND
SCENARIO 15: Shareholder receives 0.05 “new” shares for every 1 share held.

EXAMPLE

STOCK DIVIDEND (Non-taxable)	%:	5%
	(Receive	0.05 Shares
	for every	1 Share(s)

TRANSACTIONS BEFORE STOCK DIVIDEND						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2011	500	\$ 9,500	\$	19.00
2	BUY	6/10/2011	1000	\$ 8,600	\$	8.60

TRANSACTIONS AFTER STOCK DIVIDEND						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2011	525	\$ 9,500	\$	18.10
2	BUY	6/10/2011	1050	\$ 8,600	\$	8.19

TRANSACTIONS AFTER STOCK DIVIDEND--ALTERNATIVE PRESENTATION						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1a	BUY	2/3/2011	500	\$ 9,048	\$	18.10
1b	BUY	2/3/2011	25	\$ 452	\$	18.10
2a	BUY	6/10/2011	1000	\$ 8,190	\$	8.19
2b	BUY	6/10/2011	50	\$ 410	\$	8.19

TRANSACTION CATEGORY: SPIN-OFF BY A CORPORATION

SCENARIO 16: Shareholder receives 4 “NewCo” shares of Company B for every 1 share held of “OldCo” Company A.

DESCRIPTION:

ABC Corp (“OldCo”) has decided to spin off a division into a separately listed company, Company B (“NewCo”). The Corporation has determined that 70% of the original cost is to be allocated to Company A (“Old Co”) and 30% is to be allocated to Company B. Spin-offs are declared by corporations to divide a company into one or more separate companies.

DETERMINATION:

The TA’s detail record for John Smith will be changed to reflect that John owns 4 “NewCo” shares for every 1 “OldCo” share John previously owned on the “as of date” of the spin-off. The TA’s detail record will show adjusted individual tax lots that will carry forward the acquisition Date and adjusted cost/share basis from John Smith’s pre-split data from both OldCo and NewCo.

ACTIONS:

The TA’s record for OldCo will show that John’s account currently holds 172.19 shares of OldCo:

- a. 102.35 Shares Acquired on 2/3/2011 Total Cost \$5,300 Per Share Cost \$ 51.78
- b. 69.84 Shares Acquired on 6/10/2011 Total Cost \$2,100 Per Share Cost \$ 30.07

RESULTS:

1. After the spin-off, OldCo will have an account for John that will continue to have 179.19 shares of OldCo with a total cost basis of \$5,180. Each OldCo share will have a cost/share as shown below:
 - a. 102.35 Shares Acquired on 2/3/2011 Total Cost \$3,710 Per Share Cost \$ 36.25
 - b. 69.84 Shares Acquired on 6/10/2011 Total Cost \$1,470 Per Share Cost \$ 21.05
2. In addition, the TA will have a record for NewCo which will have an account for John that will have 688.76 shares of NewCo with a total cost basis of \$2,220 after this spin-off has been completed. Each NewCo share will have a cost/share as shown below:
 - c. 409.40 Shares Acquired on 2/3/2011 Total Cost \$1,590 Per Share Cost \$ 3.88
 - d. 279.36 Shares Acquired on 6/10/2011 Total Cost \$ 630 Per Share Cost \$ 2.26

TRANSACTION CATEGORY: SPIN-OFF BY A CORPORATION

SCENARIO 16: Shareholder receives 4 “NewCo” shares of Company B for every 1 share held of “OldCo” Company A.

EXAMPLE

SPIN-OFF		RATIO:		INPUT AREAS		COST ALLOCATION:	
		Receive		4	Share(s) Co. B	0.7000	Fraction to Company A
		for every		1	Shares Co. A	0.3000	Fraction to Company B

TRANSACTIONS BEFORE SPIN-OFF					
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST
1	BUY	2/3/2009	102.35	\$ 5,300.00	\$ 51.78
2	BUY	6/10/2009	69.84	\$ 2,100.00	\$ 30.07

TRANSACTIONS AFTER SPIN-OFF: COMPANY A					
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST
1	BUY	2/3/2009	102.35	\$ 3,710.00	\$ 36.25
2	BUY	6/10/2009	69.84	\$ 1,470.00	\$ 21.05
			Total	<u>172.19</u>	

TRANSACTIONS AFTER SPIN-OFF: COMPANY B					
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST
1	BUY	2/3/2009	409.4	\$ 1,590.00	\$ 3.88
2	BUY	6/10/2009	279.36	\$ 630.00	\$ 2.26
			Total	<u>688.76</u>	

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY – CORPORATE ACTIONS – Merger (Non-Taxable)
SCENARIO 17: 0.1952 Shares of New Co. for every 1 share of Old Co.

DESCRIPTION:

Old Co., a large tire company has just acquired the retail tire business of ABC Industries. These two businesses will be merged to form a new entity, New Co., after the acquisition is completed on 5/11/2012. Current shareholders of Old Co. will receive 0.1952 shares in New Co for every share of Old Co. they currently own on record date as a result of the merger. Old Co. will no longer exist after 5/11/2012.

DETERMINATION:

For every shareholder of Old Co., the TA will apply the terms of the merger to their existing holdings. After processing, the shareowner’s detailed lot history will be updated to reflect the impact of the corporate action on both the original tax lots and the new lots that represent the shares resulting from the merger. Original lots of Old Co. will be debited (exchanged for New Co shares) from the shareowner’s account. Because this merger is considered a *non-taxable* event for the shareowner, lots representing the shares of New Co will be created that carry forward the acquisition date and most recent cost basis information from the original Old Co. shares.

ACTIONS:

1. John Smith currently has two lots of Old Co. that were acquired after the effective date of IRS Rule 101896-09 and, therefore, are deemed to be covered securities.

Lot 1	102.35 Shares	Acquisition Date 2/3/2012	Cost \$ 5,300.000
Lot 2	69.84 Shares	Acquisition Date 6/10/2012	Cost \$ 2,100.000
2. The TA will apply the corporate action to all Old Co. shares held across all accounts:
 - a. Lot 1: $102.35 \text{ shr} * 0.1952 = 19.9787 \text{ shr}$
 - b. Lot 2: $69.84 \text{ shr} * 0.1952 = 13.6328 \text{ shr}$

RESULTS:

3. John’s original account in Old Co. will reflect the following transaction lot history after the terms of the merger have been applied:

EXCH OUT	5/11/2012	102.35 Shares Old Co	OAD 2/3/2012	Cost \$5,300.000
EXCH OUT	5/11/2012	69.84 Shares Old Co	OAD 6/10/2012	Cost \$2,100.000

John will have no shares of Old Co after the merger is effective.

5/11/2012 0.000 Shares Old Co



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY – CORPORATE ACTIONS – Merger (Non-Taxable)

SCENARIO 17 Cont'd: 0.1952 Shares of New Co. for every 1 share of Old Co.

- John will have a new account in New Co with the following transaction lot history after the merger:

EXCH IN 5/11/2012 19.9787 Shares New Co OAD 2/3/2012 Cost \$5,300.000

EXCH IN 5/11/2012 13.6328 Shares New Co OAD 6/10/2012 Cost \$2,100.000

John will have effective, 5/11/2012, 33.6115 Shares of New Co in his account.



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER (NON-TAXABLE)

SCENARIO 17: 0.1952 Shares of New Co. for every 1 share of Old Co.

EXAMPLE

MERGER-OLD CO. to NEW CO.

INPUT AREAS

(NON-TAXABLE)

RATIO:

Receive **0.1952** Share(s) Co. New Co.
for every **1** Shares Old Co.

TRANSACTIONS BEFORE MERGER: OLD CO.						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2011	102.35	\$ 5,300.00	\$	51.78
2	BUY	6/10/2011	69.84	\$ 2,100.00	\$	30.07

TRANSACTIONS AFTER MERGER: NEW CO.						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2011	19.9787	\$ 5,300.00	\$	265.28
2	BUY	6/10/2011	13.6328	\$ 2,100.00	\$	154.04
			Total	<u>33.6115</u>		

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY – CORPORATE ACTIONS – Merger (Taxable)

SCENARIO 18: 0.1952 Shares of New Co. for every 1 share of Old Co.

DESCRIPTION:

Old Co., a large tire company has just acquired the retail tire business of ABC Industries. These two businesses will be merged to form a new entity, New Co., after the acquisition is completed on 5/11/2012. Current shareholders of Old Co. will receive 0.1952 shares in New Co for every share of Old Co. they currently own as a result of the merger. Old Co. will no longer exist after 5/11/2012. New Co. will have a Fair Market Value (FMV) of \$20/share on the date of the action, 5/11/2012.

DETERMINATION:

For every shareholder of Old Co., the TA will apply the terms of the merger to their existing holdings. After processing, the shareowner's detailed lot history will be updated to reflect the impact of the corporate action on both the original tax lots and the new lots that represent the shares resulting from the merger. Original lots of Old Co. will be debited (exchanged for New Co shares) from the shareowner's account.

Because this merger is considered a *taxable* event for the shareowner, lots representing the shares of New Co will be created that reflect the date of acquisition as the effective date of the merger (5/11/2012) with a cost basis equal to the FMV of the New Co shares on the effective date. The New Co. shares will be valued at \$20/share and the gain/loss calculated based on the difference between the original cost and the FMV on the effective date, 5/11/2012.

ACTIONS:

1. John Smith currently has two lots of Old Co. that were acquired after the effective date of IRS Rule 101896-09 and, therefore, are deemed to be covered securities.

Lot 1	102.35 Shares	Acquisition Date 2/3/2012	Cost \$ 5,300.000
Lot 2	69.84 Shares	Acquisition Date 6/10/2012	Cost \$ 2,100.000
2. The TA will apply the corporate action to all Old Co. shares held across all accounts:
 - a. Lot 1: 102.35 shr * 0.1952 = 19.9787 shr
 - b. Lot 2: $\frac{69.84 \text{ shr}}{172.19 \text{ shr}} * 0.1952 = 13.6328 \text{ shr}$

RESULTS:

3. John's account will reflect the following transaction lot history after the terms of the merger have been applied:

EXCH OUT	5/11/2012	102.35 Shares	Old Co	OAD 2/3/2012	Cost \$5,300.000
EXCH OUT	5/11/2012	69.84 Shares	OldCo	OAD 6/10/2012	Cost \$2,100.000

John will have no shares of Old Co after the merger is effective.

5/11/2012 0.000 Shares Old Co



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY – CORPORATE ACTIONS – Merger (Taxable)

SCENARIO 18 Cont'd: 0.1952 Shares of New Co. for every 1 share of Old Co.

4. John will have a new account in New Co with the following transaction lot history after the merger:

	<u>Shares</u>	<u>Effec Date</u>	<u>Orig Cost</u>	<u>FMV on Effective Date</u>
Lot 1	19.9787 Sh	5/11/2012	\$5,300.00	\$399.57 (19.9787 * \$20/sh)
Lot 2	13.6328 Sh	5/11/2012	\$2,100.00	\$272.66 (13.6328 * \$20/sh)
	33.6115 Sh		\$7,400.00	\$672.23

5. The gain/(loss) on this transaction is the difference between the Fair Market Value of the shares of New Co on effective date and the original cost of the Old Co. shares:

	<u>Gain/(Loss)</u>
Lot 1	\$399.57 - \$5,300.00 = \$ (4,900.43)
Lot 2	\$272.66 - \$2,100.00 = \$ (1,827.34)
	\$672.23 - \$7,400.00 = \$ (6,727.77)

John will now have 33.6115 shares of New Co with a total cost basis of \$672.23 as of 5/11/2012.

6. Tax Reporting

1099-B: Sell 102.35 sh Old Co	Proceeds	\$ 399.57
	Basis	\$5,300.00
	Loss	\$4,900.43
	Category	Long-Term
	Trade Date	May 11, 2012

1099-B: Sell 69.84 sh Old Co	Proceeds	\$ 272.66
	Basis	\$2,100.00
	Loss	\$1,827.34
	Category	Short-Term
	Trade Date	May 11, 2012

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY – MERGER (TAXABLE)

SCENARIO 18: 0.1952 Shares of New Co. for every 1 share of Old Co.

EXAMPLE

MERGER-TARGET CO. (TAXABLE)		RATIO:		INPUT AREAS	
	Receive	0.1952	Share(s) Co. New Co.	\$ 20.00	FMV New Co.
	for every	1	Shares Old Co.	5/11/2012	Effective Date

TRANSACTIONS BEFORE MERGER: OLD CO.					
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST
1	BUY	2/3/2011	102.35	\$ 5,300.00	\$ 51.78
2	BUY	6/10/2011	69.84	\$ 2,100.00	\$ 30.07

TRANSACTIONS AFTER MERGER: NEW CO.									
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST (Old Co.)	PER SHARE COST (Old Co.)	FMV NEW CO.	TOTAL FMV	Gain/(Loss)	
1	BUY	5/11/2012	19.9787	\$ 5,300.00	\$ 265.28	\$ 20.00	\$ 399.57	\$(4,900.43)	
2	BUY	5/11/2012	13.6328	\$ 2,100.00	\$ 154.04	\$ 20.00	\$ 272.66	\$(1,827.34)	
			Total	33.6115			\$ 672.23	\$(6,727.77)	

* Report on 1099-B the disposition of the Old CUSIP.

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 19: Taxable – Cash & Stock

DESCRIPTION:

ABC Corp (“NewCo”) has decided to acquire another company (“OldCo”). NewCo will pay \$11.1293 in cash and issue 0.0865 share of NewCo for each outstanding share of OldCo. The fair market value (“FMV”) of NewCo shares on the merger date is \$31.58/share.

DETERMINATION:

The TA’s detail record for John Smith will be changed to reflect that John owns 0.0865 “NewCo” share, worth \$31.58 for every 1 “OldCo” share John previously owned on the “as of date” of the merger. The TA’s detail record will show adjusted individual tax lots for NewCo shares received, with the merger date of 11/5/2011 as the trade date for the NewCo shares issued to John. Fractional shares of NewCo were sold at a price of \$30.626.

ACTIONS:

1. John’s account currently holds 100 shares of OldCo:

100 Shares Acquired on 2/3/2011 Total Cost \$950 Per Share Cost \$ 9.50

RESULTS:

1. After the merger, John’s account will initially show that he owns 8.65 shares of NewCo with a total cost basis of \$950, with a cost/NewCo share of \$31.58, the FMV of a NewCo share on the merger date.
2. Since the FMV of NewCo shares is \$31.58, the total FMV of NewCo stock that John receives is \$273.17 (8.65 shares @ \$31.58/share).
3. In addition, the 0.65 fractional shares will be redeemed, for which John will receive \$19.91 in cash (0.65 shares @\$30.626, the stated FMV of fractional shares). The basis in the 0.65 shares sold is \$20.53 (0.65 sh x \$31.58). John will have a loss of \$.62.
4. This will leave John with 8 shares of NewCo with a FMV (which becomes his new cost basis of the NewCo shares) of \$252.64 (8 shares @ \$31.58).
5. John will also receive \$1,112.93 in cash (\$11.1293 x 100 shares) which, plus the \$19.91 received for the 0.65 fractional shares, will equal a total of \$1,132.84 in cash received.
6. Therefore, the total value received by John is \$1,386.10 (8.65 shares valued at \$31.58 = \$273.17 + \$1,112.93 in cash)
7. John will recognize a gain of \$436.10 as a result of the merger (the total value of NewCo stock and cash received of \$1,386.10 less John’s original cost basis of his 100 OldCo shares of \$950).



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 19 Cont'd: Taxable – Cash & Stock

FINAL RESULTS:

1. After all this is completed, John's account will show the following for his NewCo shares held:

8 Shares Acquired on 11/5/2011 Total Cost \$252.64 Per Share Cost \$ 31.58

2. Tax Reporting

1099-B: Sell 100 sh OldCo	Proceeds	\$1,386.10
	Basis	\$ 950.00
	Gain	\$ 436.10
	Category	Short-Term

1099-B: Sell 0.65 sh NewCo	Proceeds	\$19.91
	Basis	\$20.53
	Loss	\$ 0.62
	Category	Short-Term



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER (TAXABLE – CASH & STOCK)

SCENARIO 19: NewCo will pay 11.1293 in cash and issue 0.0865 shares of NewCo for each outstanding share of OldCo.

EXAMPLE

MERGER (TAXABLE-CASH & STOCK)	EFF DATE	INPUT AREAS 11/05/11			
	Receive	\$ 11.1293	Cash	AND	\$ 30.6260 FMV Frac share
	for every	1	Shares Target Co.		0.0865 Shares New Co. \$ 31.5800 @ FMV

TRANSACTIONS BEFORE TAXABLE MERGER: TARGET CO.						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2009	100	\$ 950.00	\$	9.50
2	BUY	6/10/2009	0	\$ -		#DIV/0!

TRANSACTIONS AFTER TAXABLE MERGER: TARGET CO.									
Lot No.	SOURCE	TD	QUANTITY	COST BASIS	TOTAL FMV REC'D	+	CASH PROCEEDS	- COST BASIS	= GAIN/(LOSS)
1	BUY	2/3/2009	8.6500	\$ 950.00	\$ 273.17		\$ 1,112.93		
2	BUY	6/10/2009	0.0000	\$ -	\$ -		\$ -		
		Total	8.6500	\$ 950.00	\$ 273.17		\$ 1,112.93		
		Less: Fractional share	0.65				\$ 19.91		
		Net whole shares	8		\$ 252.64		\$ 1,132.84	\$ 950.00	\$ 435.48

NEW COST BASIS OF NEW CO.			
1	BUY	11/5/2011	8 \$ 252.64

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 20: Non-Taxable, with cash component (Loss Scenario)

DESCRIPTION:

ABC Corp (“NewCo”) has decided to acquire another company (“OldCo”). NewCo will issue 1 share of NewCo for each outstanding share of OldCo AND will distribute \$10/share in cash for each OldCo share outstanding to OldCo’s existing shareholders. The fair market value (“FMV”) of NewCo shares on the effective date of May 12, 2012 is \$50/share. Assume any fractional shares are redeemed at \$50/share

DETERMINATION:

The TA’s detail record for John Smith will be changed to reflect that John owns 1 “NewCo” share, for every 1 “OldCo” share John previously owned on the effective date of the merger. The TA’s detail record will show adjusted individual tax lot for NewCo shares received, with the merger date as the trade date

ACTIONS:

John’s account currently holds 100 shares of OldCo:

100 Shares Acquired on 2/3/2011 Total Cost \$8,000 Per Share Cost \$80

RESULTS:

1. The cost basis of the NewCo shares is calculated, per lot, through a three-step process
2. First, calculate the economic gain on the transaction per lot (if less than zero, then there is zero economic gain):

Value of stock received	\$ 5,000
+ Cash received	\$ 1,000
- Original cost basis	\$(8,000)
= Economic gain	\$ 0

3. Then calculate the recognized gain per lot. The recognized gain is reported on Form 1099-B for covered securities, and will be the lesser of (but not less than zero):

Economic gain or	\$0
Cash received	\$1,000
=	Zero

4. Last, calculate the basis in the new security, by lot:

Original basis of tax lot	\$ 8,000
+ Recognized gain per lot	\$ 0
- Cash received per lot	\$(1,000)
= New basis per lot	\$ 7,000

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 20 Cont'd: Non-Taxable, with cash component (Loss Scenario)

5. After the merger, John's account will show:
100 sh NewCo Acquired on 2/3/2011 Total Cost \$7,000 Per Share \$70
6. John will also receive \$1,000 in cash (100 sh x \$10/sh)
7. Tax Reporting
1099-B : OldCo
Purchase date 2/3/11
Box 1a Date of sale 5/12/12
Box 2 Proceeds \$1,000
Box 3 Basis \$1,000
Box 7 Gain \$ 0
Box 8 Gain Type N/A
8. If fractional shares of NewCo were sold, an additional 1099-B would reflect:
1099-B : [# fractional shares] NewCo
Purchase date 2/3/11
Box 1a Date of sale 5/12/12
Box 2 Proceeds \$[# sh * \$50]
Box 3 Basis \$[# sh * \$70]
Box 7 Gain \$ [Box 2 – Box 3]
Box 8 Gain Type TBD



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 20: Non-Taxable, with cash component (Loss Scenario)

EXAMPLE

INPUT AREAS

MERGER-TARGET CO. (Part-taxable w/cash) **RATIO:** Receive Share(s) Co. New Co. FMV New Co. Cash received for every Shares Old Co. Effective Date

TRANSACTIONS BEFORE MERGER: OLD CO.						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2011	100	\$8,000.00	\$	80.00

TRANSACTIONS AFTER MERGER: NEW CO.										
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST (New Co.)	PER SHARE COST (New Co.)	FMV NEW CO.	Total FMV-Stock	Total Cash Rec'd	Total Value Rec'd	
1	BUY	5/12/2012	100.0000	\$ 7,000.00	\$	70.00	\$ 50.00	\$ 5,000.00	\$ 1,000.00	\$ 6,000.00
			Total	100.0000				\$ 5,000.00		
			Whole shares issued	100.0000						
			Fractional shares**	0.0000	\$ -	#DIV/0!			\$ -	

* Report on 1099-B the disposition of the Old CUSIP.

Box 2	Proceeds	\$	1,000.00
Box 3	Cost Basis	\$	1,000.00
Box 7	Gain/Loss	\$	-



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 21: Non-Taxable, with cash component (**Cash < Unrealized Gain**)

DESCRIPTION:

ABC Corp (“NewCo”) has decided to acquire another company (“OldCo”). NewCo will issue 1 share of NewCo for each outstanding share of OldCo AND will distribute \$10/share in cash for each OldCo share outstanding to OldCo’s existing shareholders. The fair market value (“FMV”) of NewCo shares on the effective date of May 12, 2012 is \$50/share. Assume any fractional shares are redeemed at \$50/share

DETERMINATION:

The TA’s detail record for John Smith will be changed to reflect that John owns 1 “NewCo” share, for every 1 “OldCo” share John previously owned on the effective date of the merger. The TA’s detail record will show adjusted individual tax lot for NewCo shares received, with the merger date as the trade date

ACTIONS:

John’s account currently holds 100 shares of OldCo:

100 Shares Acquired on 2/3/2011 Total Cost \$2,400 Per Share Cost \$24

RESULTS:

1. The cost basis of the NewCo shares is calculated, per lot, through a three-step process
2. First, calculate the economic gain on the transaction per lot (if less than zero, then there is zero economic gain):

Value of stock received	\$ 5,000
+ Cash received	\$ 1,000
- Original cost basis	\$(2,400)
= Economic gain	\$ 3,600

3. Then calculate the recognized gain per lot. The recognized gain is reported on Form 1099-B for covered securities, and will be the lesser of (but not less than zero):

Economic gain or	\$3,600
Cash received	\$1,000
=	\$1,000

4. Last, calculate the basis in the new security, by lot:

Original basis of tax lot	\$ 2,400
+ Recognized gain per lot	\$ 1,000
- Cash received per lot	\$(1,000)
= New basis per lot	\$ 2,400

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 21 Cont'd: Non-Taxable, with cash component (Cash < Unrealized Gain)

5. After the merger, John's account will show:
100 sh NewCo Acquired on 2/3/2011 Total Cost \$2,400 Per Share \$24
6. John will also receive \$1,000 in cash (100 sh x \$10/sh)
7. Tax Reporting
1099-B : OldCo
Purchase date 2/3/11
Box 1a Date of sale 5/12/12
Box 2 Proceeds \$1,000
Box 3 Basis \$ 0
Box 7 Gain \$1,000
Box 8 Gain Type Long-Term
8. If fractional shares of NewCo were sold, an additional 1099-B would reflect:
1099-B : [# fractional shares] NewCo
Purchase date 2/3/11
Box 1a Date of sale 5/12/12
Box 2 Proceeds \$[# sh * \$50]
Box 3 Basis \$[# sh * \$24]
Box 7 Gain \$ [Box 2 – Box 3]
Box 8 Gain Type TBD



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 21: Non-Taxable, with cash component (Cash<Unrealized Gain)

EXAMPLE

INPUT AREAS

MERGER-TARGET CO. (Part-taxable w/cash) **RATIO:** Receive Share(s) Co. New Co. FMV New Co. Cash received for every Shares Old Co. Effective Date

TRANSACTIONS BEFORE MERGER: OLD CO.						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2011	100	\$ 2,400.00	\$ 24.00	

TRANSACTIONS AFTER MERGER: NEW CO.										
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST (New Co.)	PER SHARE COST (New Co.)	FMV NEW CO.	Total FMV-Stock	Total Cash Rec'd	Total Value Rec'd	
1	BUY	5/12/2012	100.0000	\$ 2,400.00	\$ 24.00	\$ 50.00	\$ 5,000.00	\$ 1,000.00	\$ 6,000.00	
			Total	100.0000			\$ 5,000.00			
			Whole shares issued	100.0000						
			Fractional shares**	0.0000	\$ -	#DIV/0!			\$ -	

* Report on 1099-B the disposition of the Old CUSIP.

Box 2	Proceeds	\$ 1,000.00
Box 3	Cost Basis	\$ -
Box 7	Gain/Loss	\$ 1,000.00

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 22: Non-Taxable, with cash component (Cash > Unrealized Gain)

DESCRIPTION:

ABC Corp (“NewCo”) has decided to acquire another company (“OldCo”). NewCo will issue 1 share of NewCo for each outstanding share of OldCo AND will distribute \$10/share in cash for each OldCo share outstanding to OldCo’s existing shareholders. The fair market value (“FMV”) of NewCo shares on the effective date of May 12, 2012 is \$50/share. Assume any fractional shares are redeemed at \$50/share

DETERMINATION:

The TA’s detail record for John Smith will be changed to reflect that John owns 1 “NewCo” share, for every 1 “OldCo” share John previously owned on the effective date of the merger. The TA’s detail record will show adjusted individual tax lot for NewCo shares received, with the merger date as the trade date

ACTIONS:

John’s account currently holds 100 shares of OldCo:

100 Shares Acquired on 2/3/2011 Total Cost \$5,500 Per Share Cost \$55

RESULTS:

1. The cost basis of the NewCo shares is calculated, per lot, through a three-step process
2. First, calculate the economic gain on the transaction per lot (if less than zero, then there is zero economic gain):

Value of stock received	\$ 5,000
+ Cash received	\$ 1,000
- Original cost basis	\$(5,500)
= Economic gain	\$ 500

3. Then calculate the recognized gain per lot. The recognized gain is reported on Form 1099-B for covered securities, and will be the lesser of (but not less than zero):

Economic gain or	\$ 500
Cash received	\$1,000
=	\$ 500

4. Last, calculate the basis in the new security, by lot:

Original basis of tax lot	\$ 5,500
+ Recognized gain per lot	\$ 500
- Cash received per lot	\$(1,000)
= New basis per lot	\$ 5,000

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 22 Cont'd: Non-Taxable, with cash component (Cash > Unrealized Gain)

5. After the merger, John's account will show:
100 sh NewCo Acquired on 2/3/2011 Total Cost \$5,000 Per Share \$50
6. John will also receive \$1,000 in cash (100 sh x \$10/sh)
7. Tax Reporting
1099-B : OldCo
Purchase date 2/3/11
Box 1a Date of sale 5/12/12
Box 2 Proceeds \$1,000
Box 3 Basis \$ 500
Box 7 Gain \$ 500
Box 8 Gain Type Long-Term
8. If fractional shares of NewCo were sold, an additional 1099-B would reflect:
1099-B : [# fractional shares] NewCo
Purchase date 2/3/11
Box 1a Date of sale 5/12/12
Box 2 Proceeds \$[# sh * \$50]
Box 3 Basis \$[# sh * \$50]
Box 7 Gain \$ [Box 2 – Box 3]
Box 8 Gain Type TBD



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: MERGER

SCENARIO 22: Non-Taxable, with cash component (Cash>Unrealized Gain)

EXAMPLE

MERGER-TARGET CO.		RATIO:		INPUT AREAS			
(Part-taxable w/cash)		Receive	1	Share(s) Co. New Co.	\$ 50.00	FMV New Co.	\$ 10.00
		for every	1	Shares Old Co.	5/12/2012	Effective Date	
TRANSACTIONS BEFORE MERGER: OLD CO.							
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST		
1	BUY	2/3/2011	100	\$ 5,500.00	\$ 55.00		

TRANSACTIONS AFTER MERGER: NEW CO.										
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST (New Co.)	PER SHARE COST (New Co.)	FMV NEW CO.	Total FMV-Stock	Total Cash Rec'd	Total Value Rec'd	
1	BUY	5/12/2012	100.0000	\$ 5,500.00	\$ 55.00	\$ 50.00	\$ 5,000.00	\$ 1,000.00	\$ 6,000.00	
			Total	100.0000			\$ 5,000.00			
			Whole shares issued	100.0000						
			Fractional shares**	0.0000	\$ -	#DIV/0!			\$ -	

* Report on 1099-B the disposition of the Old CUSIP.

Box 2	Proceeds	\$ 1,000.00
Box 3	Cost Basis	\$ 500.00
Box 7	Gain/Loss	\$ 500.00

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY – CORPORATE ACTIONS – Tender (Mandatory for Cash)

SCENARIO 23: Shareowner receives \$50 for every share tendered.

DESCRIPTION:

Target Co. has announced an offer to all current shareholders to buyback shares. This offer is an all cash offer and has no restrictions, i.e., maximum number of shares.

DETERMINATION:

Current shareholders have received notification of an offer by Target Co. to tender their shares for \$50/share in an all cash deal. This offer is a taxable event for the shareholder when elected. Effective Date is September 10, 2013.

ACTIONS:

- John Smith currently has two lots of Target Co. that were acquired after the effective date of IRS Rule 101896-09 and, therefore, are deemed to be covered securities.

Lot 1	102.35 Shares	Acquisition Date 2/3/2012	Cost \$ 5,300.000
Lot 2	<u>69.84</u> Shares	Acquisition Date 6/10/2012	Cost \$ 2,100.000
	172.19 Shares		
- John has decided to tender his shares (sell back to Target Co) for cash. The TA will process the tender and forward the proceeds of the “sale” to John. This is a 1099B reportable event.

RESULTS:

- After processing, all lots will have been debited from John’s account and a check for the proceeds produced and mailed to John. A record of the sale along with the requisite cost basis information will be stored on the TA system for reporting on form 1099B.
 - $102.35 * \$50 = \$5,117.50$
 - $69.84 * \$50 = \underline{\$3,492.00}$

Total Proceeds: \$8,609.50
- The gain/loss for this transaction will be computed by taking the proceeds received as a result of the tender and subtracting the original cost basis:
 - $\$5,117.50 - \$5,300.00 = \$ (182.50)$
 - $\$3,492.00 - \$2,100.00 = \$1,392.00$

3. Tax Reporting

1099-B: Sell 172.19 sh Target Co	Proceeds	\$8,609.50
	Basis	\$7,400.00
	Gain	\$1,209.50
	Category	Long Term
	Trade Date	Sept 10, 2013

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: TENDER (MANDATORY FOR CASH)

SCENARIO 23: Shareowner receives \$50 for every share tendered.

EXAMPLE

INPUT AREAS

TENDER OFFER

(FOR CASH)

Receive	\$ 50.00	Cash
for every	1	Shares Target Co.

TRANSACTIONS BEFORE TENDER OFFER: TARGET CO.						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	2/3/2009	102.35	\$ 5,300.00	\$ 51.78	
2	BUY	6/10/2009	69.84	\$ 2,100.00	\$ 30.07	

TRANSACTIONS AFTER TENDER OFFER: TARGET CO.							
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	PROCEEDS	GAIN/(LOSS)
1	SOLD	2/3/2009	102.35	\$ 5,300.00	\$ 51.78	\$ 5,117.50	\$ (182.50)
2	SOLD	6/10/2009	69.84	\$ 2,100.00	\$ 30.07	\$ 3,492.00	\$ 1,392.00
		Total	172.19	\$ 7,400.00		\$ 8,609.50	\$ 1,209.50

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY – CORPORATE ACTIONS – Tender/Cash Pro-Ration
SCENARIO 24: Target Co has announced an offer to buyback 60,000 shares of common stock. In return, current shareowners will receive \$50/share of Target held.

DESCRIPTION:

Target Co. has announced an offer to all current shareholders to buyback 60,000 shares of common stock. The offer has been oversubscribed at 100,000 shares. Therefore, all shareowners who have elected to participate will receive the \$50/share on 60% of their current holdings.

DETERMINATION:

Current shareholders have received notification of an offer by Target Co. to tender their shares for \$50/share up to a maximum of 60,000 shares. Shareowners who elect to participate will receive \$50/share for all shares as long as the offer is not oversubscribed, i.e., more than 60,000 shares offered for tender. If the offer is oversubscribed, then each shareowner will receive a pro-rata portion of the offer based on the ratio of shares offered to shares tendered. Effective 9/10/2013. This offer is a taxable event for the shareholder when paid.

ACTIONS:

- John Smith currently has two lots of Target Co. that were acquired after the effective date of IRS Rule 101896-09 and, therefore, are deemed to be covered securities.

Lot 1	102.35 Shares	Acquisition Date 2/3/2012	Cost \$ 5,300.000
Lot 2	69.84 Shares	Acquisition Date 6/10/2012	Cost \$ 2,100.000
- John has decided to tender his shares (sell back to Target Co) for cash. The TA will process the tender and forward the proceeds of the “sale” to John. This is a 1099B reportable event.

Due to the oversubscription of the tender offer, the TA will process this transaction on a pro rata basis – that is, shareowners will receive cash for 60% of their “whole” shares currently held. In John’s case, he has a total of 172.19 shares. He will be able to tender for cash 103 shares ($172.19 * .60 = 103.3$ – rounded to nearest whole).

RESULTS:

- The TA will process this transaction as a “sell” of 103 shares on a FIFO basis. The entire first lot of 102.35 shares will be sold and the additional .65 shares will be from the second lot:

Lot 1	Sell	102.35 Shr	@ \$50/share	Proceeds \$5,117.50
Lot 2	Sell	.65 Shr	@ \$50/share	Proceeds \$ 32.50

John will receive total proceeds of \$5,150.00



Cost Basis Reporting Guidelines

TRANSACTION CATEGORY – CORPORATE ACTIONS – Tender/Cash Pro-Ration
SCENARIO 24 Cont’d: Target Co has announced an offer to buyback 60,000 shares of common stock. In return, current shareowners will receive \$50/share of Target held.

2. In addition, John will have a remaining tax lot reflecting the portion of the shares that were not tendered as a result of this corporate action. This lot will carry forward the Acquisition Date of the shares along with the original per share cost basis of the shares (\$30.07).

Target Co 69.19 Shares Acquisition Date 6/10/2012 Cost \$ 2,080.46**

**This cost is based on the original per share cost of \$30.07.

3. Because this transaction is a taxable event, the gain/loss will be calculated in the following manner:

All of Lot 1 was sold for total proceeds of \$5,117.50. John’s original cost for Lot 1 was \$5,300.00. John’s gain/loss will be the amount of the proceeds minus the original cost minus any fees (in this case, \$50.00):

$$\$5,117.50 - \$5,300.00 - \$50.00 = \$232.50$$

There were .65 shares sold for total proceeds of \$32.50 from Lot 2. John’s original cost for these shares was \$19.54 (.065 * \$30.07). John’s gain/loss will be the amount of the proceeds minus the original cost:

$$\$32.50 - \$19.54 = \$12.96$$

4. Tax Reporting

1099-B: Sell 102.35 sh Target Co	Proceeds	\$5,117.50
	Fees	\$ 50.00
	Basis	\$5,300.00
	Loss	\$ 232.50
	Category	Long Term
	Trade Date	Sept 10, 2013
1099-B: Sell 0.65 sh Target Co	Proceeds	\$ 32.50
	Basis	\$ 19.54
	Gain	\$ 12.96
	Category	Long Term
	Trade Date	Sept 10, 2013

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: TENDER (CASH PRO-RATION)

SCENARIO 24: Target Co has announced an offer to buyback 60,00 shares of common stock. In return, current shareowners will receive \$50/share for every share of Target held.

EXAMPLE

INPUT AREAS

TENDER OFFER

(FOR CASH-PRO-RATION)

Receive	\$ 50.00	Cash	100000	Total shares tendered
for every	1	Shares Target Co.	60000	Shares offered to purch

TRANSACTIONS BEFORE TENDER OFFER: TARGET CO.									
Lot No.	Type	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	PROCEEDS	FEES PAID	GAIN/(LOSS)
1	Book	BUY		2/3/2009	102.35	\$ 5,300.00	\$ 51.78		
2	Book	BUY		6/10/2009	69.84	\$ 2,100.00	\$ 30.07		
				Total shares	172.19				
				Whole shares tendered based on pro ration (rounded down)	103.00				
1	Book	SOLD		2/3/2009	102.35	\$ 5,300.00	\$ 51.78	\$ 5,117.50	\$ 50.00
2	Book	SOLD		6/10/2009	69.84	\$ 2,100.00	\$ 30.07	\$ 32.50	\$ 12.96
				Total	172.19		\$ 5,150.00		\$ (219.54)

TRANSACTIONS AFTER TENDER OFFER: TARGET CO.									
Lot No.	Type	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	PROCEEDS	FEES PAID	GAIN/(LOSS)
1	Book	BUY		2/3/2009	0	\$ -			
2	Book	BUY		6/10/2009	69.19	\$ 2,080.46	\$ 30.07		
				Total	69.19				

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: DECLARATION OF UNDISTRIBUTED CAPITAL GAIN by a Fund

SCENARIO 25: Shareholder receives increase in cost basis of his shares equal to the value of the undistributed capital gain, net of the taxes paid by the Fund. Shareholder also receives a “credit” to use on his personal tax return equal to the taxes paid by the Fund.

DESCRIPTION:

ABC Fund declares a capital gain distribution of \$4.00/share, but retains the gain in the Fund and pays a corporate level tax of 35% on the retained gain.

DETERMINATION:

The TA’s detail record for John Smith will be changed to reflect that John’s basis in his shares has increased by the value of the gain, net of the taxes paid ($\$4.00 \times 65\% = \2.60)

ACTIONS:

1. John’s account currently holds 50 shares of ABC Fund

a.	10	Shares	Acquired on 1/2/2012	Total Cost \$500	Per Share Cost \$ 50
b.	20	Shares	Acquired on 2/1/2012	Total Cost \$800	Per Share Cost \$ 40
c.	<u>20</u>	Shares	Acquired on 6/1/2012	<u>Total Cost \$200</u>	Per Share Cost \$ 10
50 shares				Total Cost \$1,500	

RESULTS:

2. John’s account will be adjusted as follows:

a.	10	Shares	@\$2.60	Total Adjustment \$26.00
b.	20	Shares	@\$2.60	Total Adjustment \$52.00
c.	<u>20</u>	Shares	@\$2.60	Total Adjustment \$52.00
50 shares				Total Cost \$130.00
3. After the adjustment, John’s cost basis will be:

a.	10	Shares	Acquired on 1/2/2012	Total Cost \$526	Per Share Cost \$ 52.60
b.	20	Shares	Acquired on 2/1/2012	Total Cost \$852	Per Share Cost \$ 42.60
c.	<u>20</u>	Shares	Acquired on 6/1/2012	<u>Total Cost \$252</u>	Per Share Cost \$ 12.60
50 shares				Total Cost \$1,630	
- d. John will report \$200.00 in capital gain and will get a \$70.00 tax credit to claim on his return

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TRANSACTION CATEGORY: DECLARATION OF UNDISTRIBUTED CAPITAL GAIN BY A FUND

SCENARIO 25: Shareholder receives increase in cost basis of his shares equal to the value of the undistributed capital gain, net of the taxes paid by the Fund.

EXAMPLE

		INPUT AREAS				
Mutual Fund/RIC						
Undistributed Cap Gains		Receive	\$ 4.0000	Undistributed Cap Gain per Share		
		Tax Credit	\$ 1.4000		35%	
TRANSACTIONS BEFORE UNDISTRIBUTED CAP GAIN						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	1/2/2012	10	\$ 500.00	\$	50.00
2	BUY	2/1/2012	20	\$ 800.00	\$	40.00
3	BUY	6/1/2012	20	\$ 200.00	\$	10.00
			50	\$ 1,500.00		
TRANSACTIONS AFTER UNDISTRIBUTED CAP GAIN						
Lot No.	SOURCE	TD	QUANTITY	PER SHARE COST	PER SHARE ADJUSTMENT	TOTAL ADJUSTMENT
1	BUY	1/2/2012	10	\$ 50.00	\$ 2.60	\$ 26.00
2	BUY	2/1/2012	20	\$ 40.00	\$ 2.60	\$ 52.00
3	BUY	6/1/2012	20	\$ 10.00	\$ 2.60	\$ 52.00
			50			\$ 130.00
BASIS OF REMAINING SHARES						
Lot No.	SOURCE	TD	QUANTITY	PER SHARE COST	TOTAL BASIS	
1	BUY	1/2/2012	10	\$ 52.60	\$ 526.00	
2	BUY	2/1/2012	20	\$ 42.60	\$ 852.00	
3	BUY	6/1/2012	20	\$ 12.60	\$ 252.00	
			50		\$ 1,630.00	

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY – CORPORATE ACTIONS – Return of Capital (Non-Taxable)

SCENARIO 26: ABC is “reclassifying” a dividend paid last year resulting in a return of capital to shareowners of record.

DESCRIPTION:

ABC declared a \$0.60 per share dividend with a record date of 7/1/2012 based on projected earnings for the entire year of 2012. As of 12/31/2012, ABC’s earnings did not meet expectations and, in fact, the amount of the dividend paid was greater than the full year’s earnings and profits. Therefore, ABC is reclassifying \$0.25 of the \$0.60 per share dividend as a return of capital effective on 1/15/2013. This return of capital will result in a reduced cost basis for shareowners of record as of 7/1/2012 in ABC shares.

DETERMINATION:

For every shareholder of record, the TA will apply an adjustment to their per share cost basis equal to the \$0.25 per share of the dividend reclassification. This transaction will be a *non-taxable* event for the shareowners.

ACTIONS:

5. John Smith currently has three lots of ABC that were acquired after the effective date of IRS Rule 101896-09101896-09x and, therefore, are deemed to be covered securities.

Lot 1	10 Shares	Acquisition Date 1/2/2012	Cost \$ 500.000
Lot 2	20 Shares	Acquisition Date 2/1/2012	Cost \$ 800.000
Lot 3	<u>20 Shares</u>	Acquisition Date 6/1/2012	<u>Cost \$ 200.000</u>
	50 Shares		Cost \$1,500.000

6. The TA will apply the corporate action to all ABC shareowners of record resulting in the following adjustments:

- Lot 1: 10 shr * 0.25 = \$ 2.50
 - Lot 2: 20 shr * 0.25 = \$ 5.00
 - Lot 3: 20 shr * 0.25 = \$ 5.00
- Total Adjust = \$12.50

RESULTS:

7. John’s original account in ABC will reflect the following transaction lot history after the return of capital has been applied:

Lot 1	10 Shares	Acquisition Date 1/2/2012	Cost \$ 497.50
		(Original Cost \$500 – Adj \$2.50 = \$497.50)	
Lot 2	20 Shares	Acquisition Date 2/1/2012	Cost \$ 795.00
		(Original Cost \$800 – Adj \$5.00 = \$795.00)	
Lot 3	20 Shares	Acquisition Date 6/1/2012	Cost \$ 195.00
		(Original Cost \$200 – Adj \$5.00 = \$195.00)	

50 Shares

Total Cost \$1,487.50

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Cost Basis Reporting Guidelines

TRANSACTION CATEGORY: RETURN OF CAPITAL (NON-TAXABLE)

SCENARIO 26: ABC is “reclassifying” a dividend paid last year resulting in a return of capital to shareowners of record.

EXAMPLE

Return of Capital

INPUT AREAS

Receive **\$ 0.2500** Return of capital per share

TRANSACTIONS BEFORE UNDISTRIBUTED CAP GAIN						
Lot No.	SOURCE	TD	QUANTITY	TOTAL COST	PER SHARE COST	
1	BUY	1/2/2012	10	\$ 500.00	\$	50.00
2	BUY	2/1/2012	20	\$ 800.00	\$	40.00
3	BUY	6/1/2012	20	\$ 200.00	\$	10.00
			<u>50</u>	<u>\$ 1,500.00</u>		

TRANSACTIONS DUE TO RETURN OF CAPITAL							
Lot No.	SOURCE	TD	QUANTITY	TOTAL ADJ \$\$	PER SHARE ORIG COST	PER SHARE ADJUSTME	NET BASIS AFTER ADJ
1	BUY	1/2/2012	10	\$ 2.50	\$ 50.00	\$ 0.25	\$ 49.75
2	BUY	2/1/2012	20	\$ 5.00	\$ 40.00	\$ 0.25	\$ 39.75
3	BUY	6/1/2012	20	\$ 5.00	\$ 10.00	\$ 0.25	\$ 9.75
			<u>50</u>	<u>\$ 12.50</u>			<u>\$ 99.25</u>

BASIS OF REMAINING SHARES					
Lot No.	SOURCE	TD	QUANTITY	PER SHARE COST	TOTAL BASIS
1	BUY	1/2/2012	10	\$ 49.75	\$ 497.50
2	BUY	2/1/2012	20	\$ 39.75	\$ 795.00
3	BUY	6/1/2012	20	\$ 9.75	\$ 195.00
			<u>50</u>		<u>\$ 1,487.50</u>

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