

# Cost Basis Reporting The Alternative Compliance

The cost basis reporting law, Section 403 of H.R. 1424 of the Emergency Economic Stabilization Act of 2008, enacted in response to the financial market crisis, (the "Act," Pub. L. No. 110-343), requires brokers to provide detailed information regarding the cost basis of stock and securities to the IRS and to taxpayers, beginning with stock acquired on or after January 1, 2011. The compliance burdens are many and intensify in smaller brokerages not equipped to take on a full cost basis reporting implementation.

### How Will You Adjust For Wash Sales & Corporate Actions And Determine Basis For Transfer Reporting?

Cost basis must be accurately adjusted for wash sales and corporate actions, and brokers must be able to support multiple lot relief methods to comply. The law also obligates a transferring broker to furnish a receiving broker with information necessary for cost basis reporting within 15 days of the transfer, per Code Section 6045A(c).

Optimally, brokers will have a solution in place capable of adjusting basis for wash sales—including deferrals and the full range of corporate actions. Brokers also need to generate the statements required to meet their transfer reporting obligations to another broker—on time. Therefore, a broker's cost basis information must be readily accessible throughout the year in order to permit the broker to comply with this requirement. For brokers of almost any size, their systems need to accommodate daily account transfers.

### Compliance—Without A Full Implementation

GainsKeeper BasisProBatch is a cost basis analyzer that provides all cost basis calculations through an API batch processing service that can feed directly into your accounting system with minimal implementation required. This solution accesses historic prices as far back as 1972 and tracks corporate actions back to 1950.

Whether you are a larger broker 'waiting in the implementation line', a smaller shop without the account volume to justify a full-scale implementation, or looking for a resource to help you test and validate results of your existing or newly implemented cost basis reporting system, GainsKeeper BasisProBatch can help.

### Meeting The Needs Of Smaller Brokerage Firms

#### Annual Cost Basis Batch Processing For 1099s

- Developed especially for smaller brokerage firms that do not currently have the account volume to justify implementing a full-scale cost basis reporting solution, GainsKeeper BasisProBatch, provides all year-end cost basis reporting information required for 1099s.

#### On-Demand Cost Basis Calculations For Account Transfers

- Additionally, subscribers can opt to access the system on a daily basis for essential transfer reporting cost basis information.

#### Test & Validate Basis Calculations

- GainsKeeper BasisProBatch can also be used to test and validate existing or newly implemented cost basis solutions on a daily or annual basis.

### Compliance, Plan B...

- With the initial compliance effective date fast approaching, a critical mass of brokerages are under contract with solutions vendors. To meet the needs of larger firms (with hundreds of thousands and even millions of accounts), vendors are likely to begin closing their doors to latecomers.
- Even if you think you have a cost basis solution in place, GainsKeeper BasisProBatch is available as an interim alternative to track the minimal basis needed required by the law at the start of 2011. This back-up resource is ideal for brokers that need to 'buy time' to complete compliance technology projects and minimize the risk of missing critical basis adjustments.

## Your Cost Basis Reporting Compliance Partner

Wolters Kluwer Financial Services provides a unique, comprehensive suite of offerings facilitating compliance with the cost basis reporting law. Whether you need a cost basis reporting enterprise compliance solution, core modules such as batch wash sale calculations, a detailed understanding of the tax consequences of U.S. and international corporate actions or automated access to historic cost basis to serve as a batch data source for compliance, to cross-check your basis or to minimize customer confusion on noncovered securities, you can count on Wolters Kluwer Financial Services for unparalleled tax and technology expertise to help you accurately and efficiently comply with the new cost basis reporting rules.

### Our Professional Team

Each year, we further infuse our solutions with additional, sophisticated, tax-accurate functionality and expertise to keep up with the changing regulatory and market landscapes.

Wolters Kluwer Financial Services Securities Tax Solutions professionals include:

- A dedicated Tax Director and tax team, with close to 25 years of financial products tax experience;
- A committed team of global corporate actions and data experts, with 75+ combined years of corporate actions and/or tax experience; and
- A sophisticated tax-centric technology team with close to a century of tax lot accounting experience.

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Wolters Kluwer Financial Services  
130 Turner Street  
Building 3, 4th Floor  
Waltham, MA 02453  
800.472.1009 option 2

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*Brokers must have a preparedness plan in place by the January 1, 2011 initial effective date, or face significant financial and reputation consequences.*



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To learn more about the cost basis reporting law, visit [www.costbasisreporting.com](http://www.costbasisreporting.com).

To learn more about GainsKeeper, visit [www.WoltersKluwerFS.com](http://www.WoltersKluwerFS.com).