

## Cost Basis Reporting Challenges with Corporate Actions

The new cost basis reporting law requires brokers to provide detailed information regarding the cost basis of stock and securities to the IRS and to customers beginning with stock acquired on or after January 1, 2011.

Sec. 1.6045-1(d)(2)(iv) of the proposed regulations requires brokers, when reporting the sale of a covered security, to take into account the effect of any corporate action on the cost basis of the security prior to the sale. In order to comply with this law and avoid substantial penalties, brokers need to have an accurate, daily source of corporate action data as well as access to details and analysis about each event.

### How Will You Adjust For The Full-Range Of Corporate Actions?

There are more than a million corporate actions every year, of which 10-15% are complex and prone to increased risk. To manage the risk, you need to understand exactly what is happening before it happens, and how it affects your customers and accounts. Basic data elements may be enough for simple events, but corporate reorganizations, multi-step mergers, spin-offs and other complex events may be subject to special conditions, multiple elections, changing terms, complex pay-outs, or unusual timing, among other things. When things get complicated, although a data feed is essential, you also need access to additional details and analysis for accurate reporting.

### The Need For Corporate Action Details

Event details are important, not only to understand what happened in a corporate action, but to unravel the tax consequences. Every step in a complex reorganization may have a separate tax outcome. Even seemingly simple events may have hidden tax ramifications. The Wolters Kluwer Financial Services' Capital Changes staff lives and breathes the Internal Revenue Code. Nowhere else will you find more detailed, more precise tax information about corporate actions, and have access to the experts who publish this material. Additionally, Capital Changes is a source relied upon by the IRS for corporate actions information.

### The Details & Analysis You Need To Comply Delivered Daily

Capital Changes Daily delivers corporate actions data feeds to your system every day. In addition to data feeds, subscriptions include easy-to-understand summaries of essential detailed information about each event. Each corporate event summary includes the analyst's contact information, so you have direct access to the expertise you need to answer your related questions.

With a team of dedicated attorneys who fully understand the U.S. Internal Revenue Code, pouring over proxy statements, prospectuses, and other corporate filings, you can count on Capital Changes for the corporate actions data and details you need to meet your obligations under the law.

## 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 interim 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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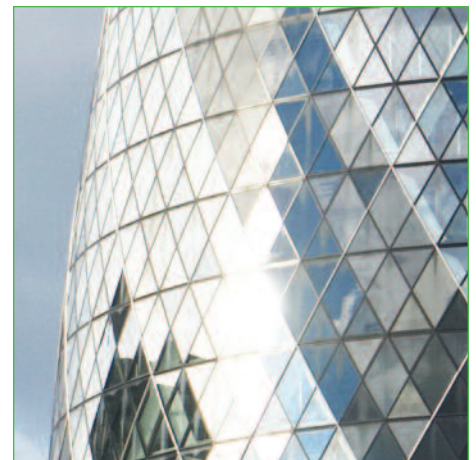
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### Adjusting cost basis for corporate actions

Brokers must adjust basis for the full-range of corporate actions. As the complexity of certain corporate actions increases, the difficulty in accurately calculating the effect on cost basis also increases. Brokers will also need to obtain the unique corporate action ID required under the proposed cost basis regulations.

Although, U.S. issuers will provide some of this information, to meet their reporting obligations, brokers will likely still need to track and review issuer corporate action information. Ideally, brokers will leverage real-time corporate actions data feeds and have access to experts for understanding the corporate actions.



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

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