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BY E-MAIL AND REGULAR MAIL

Mr. Karl D. Blake
Internal Revenue Service
Tax Product Coordinating Committee
SE:W:CAR:MP:T:T:SP
1111 Constitution Avenue, NW IR 6526
Washington, DC 20224

Re: Request to Delay New Schedule D Forms

Dear Mr. Blake:

We (Wolters Kluwer Financial Services and its advisers) have been reviewing the revised Schedule D and the new Form 8949, which we understand the IRS would like taxpayers to use for the first year of basis reporting. We expect at the start, however, that many taxpayers will be challenged by the basis reporting rules and we do not believe the IRS should require taxpayers to use these new forms in the first year of basis reporting.

At present, taxpayers must report the details of each of their stock sales on a separate line of Schedule D (using the Schedule D-1 continuation sheet, when necessary). Taxpayers that use tax-return software (from vendors such as Turbo Tax or H&R Block) often electronically import this line item data directly from their brokers. As an alternative to reporting sales on separate lines of Schedules D or D-1, taxpayers can attach a statement containing all the same information, which the taxpayers typically obtain from their brokers (an "alternative statement").¹

Like the current Schedule D-1, Form 8949, on its face, requires a line-by-line listing of all sales transactions. Taxpayers must list this sales information, whether or not the taxpayers are adjusting the gain and loss information they receive from their brokers. Form 8949 also includes extra columns to enable taxpayers to reconcile broker-provided and taxpayer-provided sales information.

We understand from informal contacts the IRS will continue to permit taxpayers to use an alternative statement to the new Form 8949. Presumably, the IRS will require the alternative

¹ The AICPA requested the option for taxpayers to attach brokerage statements after a draft Schedule D had omitted this option. See letter of Tom Purcell dated Dec. 28, 2005 (2005 TNT 248-9).

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statement to be formatted similarly to the new form, in order for the information on the alternative statement to be transferred easily to the revised Schedule D. We are concerned, however, that many brokers may be unable to provide alternative statements this year, with so little time left (i) to capture and format information to transfer to the revised Schedule D (still to be finalized) and (ii) to distribute the alternative forms immediately following the 2011 calendar year (i.e., with the information returns, which are due Feb. 15th).

Most importantly, brokers currently cannot provide the information required by the Form 8949 to their customers, most notably the reconciliation information. Brokers can make adjustments for transactions that they are aware, but cannot make adjustments for transactions that they are unaware (for example, for wash sales that arise from purchases in accounts at other brokers). So, brokerage reports cannot reconcile any differences, unless the taxpayers provide extra information to the brokers. And taxpayers are not currently providing such information.

We understand the IRS expects taxpayers to make appropriate adjustments to the information they receive from their brokers when the taxpayers file their individual income tax returns. But, as taxpayers struggle to understand the new reporting rules, we believe taxpayers would only be confused by a new form that requires line item listing of all stock transactions and any associated reconciliations. Taxpayers may find the burden of reporting the information received from each broker (gross proceeds and possibly cost basis) and then integrating and reporting any related adjustments overwhelming, particularly if they have more than a handful of trades during the year. Ultimately, we expect the market to evolve to help taxpayers understand their responsibilities (and to cope with the reporting of adjustments). And we expect software to develop help taxpayers report sales transactions that could take into account activity across many different brokerage accounts. However, at this time, these resources are unavailable.

Accordingly, we recommend that the IRS delay the implementation of the new Form 8949. If the IRS decides to make Form 8949 available for the 2011 tax year, we believe the form should be optional. As a result, we recommend taxpayers be permitted to continue to attach their broker statements to the current Schedule D (or to import the data, electronically, to Schedule D), and to report the required adjustments in a manner they find most convenient.

Best regards,



Steven M. Rosenthal

cc: Stevie D. Conlon, Wolters Kluwer Financial Services
Dale S. Collinson, KPMG, LLP