



# Instructions for Form 1099-B

Section references are to the Internal Revenue Code unless otherwise noted.

## Future Developments

For the latest information about developments related to Form 1099-B and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form1099b](http://www.irs.gov/form1099b).

## What's New

**Truncating recipient's identification number on paper payee statements.** Pursuant to proposed regulations § 301.6109-4 (REG-148873-09), all filers of this form may truncate a recipient's identification number (social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN)) on payee statements. See part M in the 2013 General Instructions for Certain Information Returns.

## Reminder

In addition to these specific instructions, you should also use the 2013 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Backup withholding.
- Electronic reporting requirements.
- Penalties.
- Who must file (nominee/middleman).
- When and where to file.
- Taxpayer identification numbers.
- Statements to recipients.
- Corrected and void returns.
- Other general topics.

You can get the general instructions from [www.irs.gov/form1099b](http://www.irs.gov/form1099b) or by calling 1-800-TAX-FORM (1-800-829-3676).

## Specific Instructions

A broker or barter exchange must file Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, for each person:

- For whom the broker has sold (including short sales) stocks, bonds, commodities, regulated futures contracts, foreign currency contracts (pursuant to a forward contract or regulated futures contract), forward contracts, debt instruments, etc., for cash,
- Who received cash, stock, or other property from a corporation that the broker knows or has reason to know has had its stock acquired in an acquisition of control or had a substantial change in capital structure reportable on Form 8806, or
- Who exchanged property or services through a barter exchange.

## Brokers

A broker is any person who, in the ordinary course of a trade or business, stands ready to effect sales to be made by others. A broker may include a U.S. or foreign person or a governmental unit and any subsidiary agency.

You are considered a broker if:

- You are an obligor that regularly issues and retires its own debt obligations or
- You are a corporation that regularly redeems its own stock. However, for a sale, redemption, or retirement at an office outside the United States, only a U.S. payer or U.S. middleman is a broker. See Regulations sections 1.6045-1(g)(1) and 1.6049-5(c)(5).

You are not considered a broker if:

- You are a corporation that purchases odd-lot shares from its stockholders on an irregular basis (unless facts indicate otherwise),
- You manage a farm for someone else, or
- You are an international organization that redeems or retires its own debt. See Regulations section 1.6045-1(a)(1).

## Reporting

**How many transactions to report on each form.** Report each transaction (other than regulated futures or foreign currency contracts) on a separate Form 1099-B. Report transactions involving regulated futures or foreign currency contracts on an aggregate basis.

**How many forms to file for each transaction.** Report sales of each of the following types of securities on a separate Form 1099-B, even if all three types were sold in a single transaction:

- Covered securities (defined later) with short-term gain or loss,
- Covered securities with long-term gain or loss, and
- Noncovered securities (securities that are not covered securities) if you choose to check box 6a when reporting their sale.

**Substitute statements.** Brokers that use substitute statements may be able to report customer transactions (stock sales (Form 1099-B), interest earned (Forms 1099-INT and OID), dividends (Form 1099-DIV), foreign taxes paid (Forms 1099-B, DIV, and INT)) for the year on a single substitute statement. For details, see Pub. 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns, which provides the rules for substitute forms.

### Additional information required for covered securities.

For each sale of a covered security for which you are required to file Form 1099-B, report the date of acquisition (box 1b), whether the gain or loss is short-term or long-term (box 1c), cost or other basis (box 3), and amount of loss disallowed due to a wash sale (box 5). When selling a noncovered security, you may check box 6a and leave boxes 1b, 1c, 3, and 5 blank. You may choose to report the information requested in boxes 1b, 1c, 3, and 5 and will not be subject to penalties under section 6721 or 6722 for failure to report this information correctly, as long as you check box 6a.

**Example.** Your customer Mary bought shares of stock in ABC Corporation in April 1995, April 2012, and August 2012. The shares of stock bought in 2012 are covered securities. The shares of stock bought in April 1995 are noncovered

securities. In June 2013, Mary sells all of the stock in a single transaction. Even though the stock was sold in a single transaction, you will have to report the sale of the covered securities on two separate 2013 Forms 1099-B (one for the securities bought in April 2012 with long-term gain or loss and one for the securities bought in August 2012 with short-term gain or loss). You may report the sale of the noncovered securities bought in April 1995 either on a third Form 1099-B or on the Form 1099-B reporting the sale of the covered securities bought in April 2012 (reporting long-term gain or loss). You must report the sale of the noncovered securities on a third Form 1099-B if you want to leave boxes 1b, 1c, 3, and 5 blank or if you want to report this information and not be subject to penalties under section 6721 or 6722 for failing to report this information correctly. In either case, you must check box 6a.

**Short sales of securities.** Do not report a short sale entered into after 2010 until the year a customer delivers a security to satisfy the short sale obligation. Disregard sections 1259 (constructive sales) and 1233(h) (short sales of property that becomes worthless). Report the short sale on a single Form 1099-B unless:

- You are reporting both short-term and long-term gain or loss from a short sale closed by delivery of covered securities (as just explained under *How many forms to file for each transaction*),
- The securities delivered to close the short sale include both covered securities and noncovered securities (as explained under *How many forms to file for each transaction*), or
- There was backup withholding and other conditions apply (see below).

Report on Form 1099-B the relevant information about the security sold to open the short sale, with the exceptions described in the following paragraphs.

In box 1a, report the date the security was delivered to close the short sale.

In box 1b, report the acquisition date of the security delivered to close the short sale.

In box 1c, report whether any gain or loss on the closing of the short sale is short-term or long-term based on the acquisition date of the security delivered to close the short sale. Apply section 1233(d), if applicable.

In box 1e, report the quantity of the security delivered to close the short sale.

In box 3, report the adjusted basis of the security delivered to close the short sale.

If the short sale is closed by delivery of a noncovered security, you may check box 6a. In this case, you do not have to complete boxes 1b, 1c, 3, and 5. However, if you choose to report the information in those boxes and check box 6a, you will not be subject to the penalties under sections 6721 and 6722 for failure to report that information correctly.

If a short sale obligation is satisfied by delivery of a security transferred into a customer's account accompanied by a transfer statement indicating the security was borrowed, see Regulations section 1.6045-1(c)(3)(xi)(C).

If backup withholding was taken from the gross proceeds when a short sale was opened in 2013 but the short sale was not closed by the end of 2013, file a 2013 Form 1099-B. Report the tax withheld in box 4. In box 8, enter a brief description of the transaction (for example, "\$5,000 short sale of 100 shares of ABC stock not closed"). Leave the

other numbered boxes blank. File a complete Form 1099-B for the year the short sale is closed, as described above, but do not include the backup withholding amount on this Form 1099-B.

In the case of a short sale, you can take backup withholding either:

- From the gross proceeds when the short sale is opened, or
- From any gain when the short sale is closed if you expect to be able to determine the gain on the short sale at that time.

**Widely held fixed investment trusts (WHFITs).** Trustees and middlemen must report the amount of non *pro-rata* partial principal payments (as defined in Regulations section 1.671-5(b)(13)), trust sales proceeds (as defined in Regulations section 1.671-5(b)(21)), redemption asset proceeds (as defined in Regulations section 1.671-5(b)(14)), redemption proceeds (as defined in Regulations section 1.671-5(b)(15)), the sales asset proceeds (as defined in Regulations section 1.671-5(b)(17)), and the sales proceeds (as defined in Regulations section 1.671-5(b)(18)) that are attributable to a trust interest holder (TIH) for the calendar year on Form 1099-B.

To determine the amount of each item of proceeds to be reported on Form 1099-B, see generally Regulations section 1.671-5. If the trustee provides WHFIT information using the safe harbor rules in Regulations section 1.671-5(f)(1) or (g)(1), the trustee or middleman must determine the amounts reported on Forms 1099 under Regulations section 1.671-5(f)(2) or (g)(2), as appropriate.

Check box 6a and leave boxes 1b, 1c, 3, and 5 blank if:

- You are a broker reporting the sale of a security held by a WHFIT to the WHFIT trustee, or
- You are a trustee or middleman of a WHFIT reporting non *pro-rata* partial principal payments, trust sale proceeds, redemption asset proceeds, redemption proceeds, sales asset proceeds, and sales proceeds to a TIH.

**Requirement to furnish a tax information statement to TIH.** A tax information statement that includes the information provided to the IRS on Form 1099-B, as well as additional information identified in Regulations section 1.671-5(e), must be provided to TIHs. The written tax information statement furnished to the TIH for 2013 is due on or before March 17, 2014. The amount of an item of a trust expense that is attributable to a TIH must be included on the tax information statement provided to the TIH and is not required to be included in box 5 on the Form 1099-DIV. See Regulations section 1.671-5(e) for a complete list of the items of information that must be included in the statement to the TIH.

**Acquisition of control or substantial change in capital structure.** File Form 1099-B for each customer who received cash, stock, or other property from a corporation that you know, or have reason to know based on readily available information, must recognize gain under section 367(a) from the transfer of property to a foreign corporation in an acquisition of control or substantial change in capital structure reportable on Form 8806. Readily available information includes information from a clearing organization, such as the Depository Trust Company (DTC), or from information published on the IRS website.



Go to [IRS.gov](http://IRS.gov) and enter keyword "Form 8806" in the upper right corner to find information on the IRS website.

You are not required to file a second Form 1099-B for a customer who received only cash for stock acquired in an acquisition of control if you report the cash as proceeds from a sale on another Form 1099-B. You also are not required to file Form 1099-B for a customer who is an exempt recipient (under Regulations sections 1.6045-1(c)(3)(i) or 1.6043-4(b)(5)). For a list of exempt recipients, see the 2013 Instructions for Form 1099-CAP.

Enter in box 2a the aggregate amount of cash and the fair market value of any stock and other property received in exchange for stock held in your custody. Also, check box 2b.

In box 8, show the corporation's name and the number of shares of the corporation's stock you held that were exchanged. Also enter the class or classes of stock (for example, preferred, common, etc.) that were exchanged, whether for cash or other property. Abbreviate the class to fit the entry. For example, enter "C" for common stock, "P" for preferred, or "O" for other. Also abbreviate any subclasses.

Leave the other numbered boxes and the CUSIP number box blank unless you are required to file a Form 1099-B to report proceeds you paid to the customer from the acquisition of control or substantial change in capital structure and you choose to file and furnish one Form 1099-B for amounts reported under both Regulations sections 1.6045-1 and 1.6045-3. If you choose to combine the reporting for both, do not combine other transactions the customer may have had during the year with the reporting of the acquisition of control or change in capital structure. Also, in box 3, report the total basis of the customer's stock. Do not enter an amount in box 3 that is greater than the amount entered in box 2a.

**Cash on delivery account.** For a sale of securities through a "cash on delivery" or similar account, only the broker that receives the gross proceeds from the sale against delivery of the securities sold is required to report the sale. However, if such broker's customer is a "second-party broker" that is an exempt recipient, only the second-party broker is required to report the sale.

**Foreign currency.** If the purchase amount or sales proceeds are paid in foreign currency, you must report the amount of foreign currency in U.S. dollars. Generally, you must determine the reportable amount as of the date you receive, credit, or make the payment, whichever applies, at the spot rate or by following a reasonable spot rate convention, such as a month-end spot rate or a monthly average spot rate. When reporting the purchase or sale of a security traded on an established securities market, you must determine the U.S. dollar amounts to be reported as of the settlement date, at the spot rate or by following a reasonable spot rate convention. See Regulations section 1.6045-1(d)(8).

**Substitute payments.** Do not report substitute payments in lieu of dividends and tax-exempt interest on Form 1099-B. Instead, report these payments in box 8 of Form 1099-MISC, Miscellaneous Income. See section 6045(d) and the Instructions for Form 1099-MISC.

**Stock options granted in connection with the performance of services.** If an employee, former employee, or other service provider, in connection with the performance of services, obtains substantially vested shares of stock from the exercise of a stock option, and sells that stock through a broker on the same day, then the broker may not be required to report the sale on Form 1099-B. For details, see Rev.

Proc. 2002-50, which is on page 173 of Internal Revenue Bulletin 2002-29 at [www.irs.gov/pub/irs-irbs/irb02-29.pdf](http://www.irs.gov/pub/irs-irbs/irb02-29.pdf).

**Partnership sale.** Form 8308, Report of a Sale or Exchange of Certain Partnership Interests, does not have to be filed if, under section 6045, a return is required to be filed by a broker on Form 1099-B for the transfer of the partnership interest.

**Exceptions.** Brokers are not required to file, but may file, Form 1099-B for the following.

1. Sales for exempt recipients, including the following.
    - a. Charitable organizations.
    - b. IRAs.
    - c. Archer MSAs and health savings accounts (HSAs).
    - d. The United States or any state or a political subdivision of the United States or any state.
    - e. Corporations. However, see *Identifying a corporation*, later, for instructions about how to know whether a customer is a corporation for this purpose. Also, you must file Form 1099-B for the sale of a covered security (defined later) by an S corporation if the S corporation acquired the covered security after 2011.
  2. Sales initiated by dealers in securities and financial institutions.
  3. Sales by custodians and trustees, provided the sale is reported on a properly filed Form 1041, U.S. Income Tax Return for Estates and Trusts.
  4. Sales at issue price of interests in certain regulated investment companies.
  5. Obligor payments on:
    - a. Nontransferable obligations, such as savings bonds or CDs.
    - b. Obligations for which gross proceeds are reported on other Forms 1099, such as stripped coupons issued before July 1, 1982.
    - c. Retirement of short-term obligations with original issue discount that is reported on Form 1099-INT, Interest Income. However, Form 1099-B is required for the retirement of short-term state obligations having no original issue discount.
    - d. Callable demand obligations that have no premium or discount.
  6. Sales of foreign currency unless under a forward or regulated futures contract that requires delivery of foreign currency.
  7. Sales of fractional shares of stock if gross proceeds are less than \$20.
  8. Retirements of book-entry or registered form obligations if no interim transfers have occurred.
  9. Sales for exempt foreign persons as defined in Regulations section 1.6045-1(g)(1).
  10. Sales of Commodity Credit Corporation certificates.
  11. Spot or forward sales of agricultural commodities. See below.
  12. Some sales of precious metals. See *Sales of precious metals*, later.
  13. Grants or purchases of options, exercises of call options, or entering into contracts that require delivery of personal property or an interest therein.
- Identifying a corporation.** For sales of covered securities (defined later) that were acquired after 2011, you

cannot rely on Regulations section 1.6049-4(c)(1)(ii)(A) to tell whether a customer is a corporation. However, for sales of all securities, you can treat a customer as an exempt recipient if one of the following statements is true.

1. The name of the customer contains the term “insurance company,” “indemnity company,” “reinsurance company,” or “assurance company.”
2. The name of the customer indicates it is an entity listed as a per se corporation under Regulations section 301.7701-2(b)(8)(i).
3. You receive a properly completed exemption certificate on Form W-9 that shows the customer is not an S corporation.
4. You receive a Form W-8 that includes a certification that the person whose name is on the form is a foreign corporation.

#### **Spot or forward sales of agricultural commodities.**

Agricultural commodities include grain, feed, livestock, meat, oil seed, timber, and fiber. A spot sale is a sale that results in almost immediate delivery of a commodity. A forward sale is a sale under a forward contract. However, sales and exchanges of timber for lump-sum payments must be reported on Form 1099-S.

Report sales of agricultural commodities under a regulated futures contract, sales of derivative interests in agricultural commodities, and sales of receipts for agricultural commodities issued by a designated warehouse on Form 1099-B. A designated warehouse is a warehouse, depository, or other similar entity designated by a commodity exchange in which or out of which a particular type of agricultural commodity is deliverable to satisfy a regulated futures contract. Sales of warehouse receipts issued by any other warehouse are not reportable.

**Sales of precious metals.** A sale of a precious metal (gold, silver, platinum, or palladium) in any form for which the Commodity Futures Trading Commission (CFTC) has not approved trading by regulated futures contract (RFC) is not reportable. Further, even if the sale is of a precious metal in a form for which the CFTC has approved trading by RFC, the sale is not reportable if the quantity, by weight or by number of items, is less than the minimum required quantity to satisfy a CFTC-approved RFC.

For example, a broker selling a single gold coin does not need to file Form 1099-B even if the coin is of such form and quality that it could be delivered to satisfy a CFTC-approved RFC if all CFTC-approved contracts for gold coins currently call for delivery of at least 25 coins.

Sales of precious metals for a single customer during a 24-hour period must be aggregated and treated as a single sale to determine if this exception applies. This exception does not apply if the broker knows or has reason to know that a customer, either alone or with a related person, is engaging in sales to avoid information reporting.



*No reporting on Form 1099-B will be required for securities futures contracts (SFCs) unless guidance issued after Notice 2003-8, which is on page 310 of Internal Revenue Bulletin 2003-4 at [www.irs.gov/pub/irs-irbs/irb03-04.pdf](http://www.irs.gov/pub/irs-irbs/irb03-04.pdf), imposes such a reporting obligation.*

**Exemption certificate.** A broker may require an exempt recipient to file a properly completed Form W-9, Request for Taxpayer Identification Number and Certification, or similar form. A broker may treat an exempt recipient that fails to do

so as a recipient that is not exempt. See part J in the 2013 General Instructions for Certain Information Returns for more information.

## **Transfer Statement**

Any person that transfers custody of a specified security (defined later) to a broker after 2010 (after 2011 if the stock is in a regulated investment company) must give the broker a written transfer statement within 15 days after the date of settlement for the transfer.

The transferor must furnish a separate statement for each security and, if transferring custody of the same security acquired on different dates or at different prices, for each acquisition. However, a separate statement is not required for:

- Noncovered securities, and
- Securities acquired more than 5 years before the transfer for which basis is determined using an average basis method.

These rules apply to:

- Any broker,
- Anyone that acts as a custodian of securities in the ordinary course of a trade or business,
- Any issuer of securities,
- Any trustee or custodian of an individual retirement plan, or
- Any agent of the above.

These rules do not apply to:

- The beneficial owner of a security or any agent substituted for an undisclosed beneficial owner,
- Any governmental unit or any agency or instrumentality of a governmental unit holding escheated securities, or
- Any organization that holds and transfers obligations among members as a service to its members.

**Information required.** Each transfer statement must include:

- Date the statement is furnished,
- Name, address, and telephone number of the person furnishing the statement,
- Name, address, and telephone number of the broker receiving custody of the security,
- Name of the customer(s) for the account from which the security is transferred,
- Account number for the transferring account and, if different, the receiving account,
- CUSIP number of the transferred security,
- Number of shares or units,
- Type of security (such as stock),
- Date the transfer was initiated and settlement date of the transfer (if known), and
- The security's total adjusted basis, original acquisition date, and, if applicable, the holding period adjustment under section 1091.

The adjusted basis, original acquisition date, and holding period adjustment are not required if the transfer statement identifies the security as a noncovered security.

If the names of the customer(s) for the transferring and receiving accounts are not the same, the transfer statement must also include the name of the customer(s) for the account to which the security is transferred. However, if the transfer is to or from an account for which a broker,

custodian, or other person subject to the transfer reporting rules is the customer, the transfer statement must treat the beneficial owner or, if applicable, an agent substituted by an undisclosed beneficial owner, as the customer for both accounts, and the broker receiving the transfer statement should treat the security as held for the beneficial owner or the beneficial owner's agent regardless of the customer listed for the broker's account.

The person giving and the broker receiving the transfer statement can agree to combine the information in any format or to use a code in place of one or more required items. Determine the adjusted basis and other information to be reported as explained in these instructions. If the basis of the transferred security is determined using an average basis method, any securities acquired more than 5 years prior to the transfer may be reported on a single statement on which the original acquisition date is reported as "various," but only if the other information reported applies to all the securities.

**Effect on Form 1099-B and other transfer statements.**

In preparing Form 1099-B or a transfer statement for securities you transfer to someone else, you must take into account all the information (other than securities classifications) reported on a transfer statement you receive, unless the statement is incomplete or you know it is incorrect. If you do not receive a required transfer statement by the due date, you must request one from the transferor. If a complete transfer statement is not furnished, you may treat the security as noncovered. However, you must file a corrected Form 1099-B within 30 days of receiving a transfer statement indicating that the security is a covered security. You do not have to file a corrected Form 1099-B if you receive the statement more than 3 years after you filed the original Form 1099-B. You must also furnish a corrected transfer statement within 15 days of receiving a transfer statement indicating that a security is a covered security if you transferred the security transferred to you. You do not have to furnish a corrected transfer statement if you receive the transfer statement more than 18 months after you furnished your transfer statement.

**More information.** For more information about transfer statements, including definitions, exceptions, rules for gift transfers, transfers from a decedent's estate, and transfers of borrowed securities, see Regulations section 1.6045A-1.

**Issuer Returns for Actions Affecting Basis**

An issuer of a specified security (defined later) that takes an organizational action that affects the basis of the security must file an issuer return on Form 8937. This applies to organizational actions after 2010 (after 2011 if the stock is in a regulated investment company). The return is due on or before the 45th day following the organizational action or, if earlier, January 15 of the next calendar year.

An issuer is not required to file this return if, by the due date, the issuer posts the return with the required information in a readily accessible format in an area of its primary public website dedicated to this purpose and, for 10 years, keeps the return accessible to the public on its primary public website or the primary public website of any successor organization.

**Effect on Form 1099-B and transfer statements.** In preparing Form 1099-B or a transfer statement, you must take into account all the information reported by the issuer of the security on a statement that the issuer furnishes to you or

is deemed to furnish to you, unless the issuer statement is incomplete or you know it is incorrect. Take into account only those organizational actions taken by the issuer of the security during the period you held custody of the security (not including the settlement date on which you received a transferred security). If you receive or are deemed to receive an issuer statement after filing Form 1099-B, you must file a corrected Form 1099-B within 30 days of receiving the issuer statement. But you do not have to file a corrected Form 1099-B if you receive the issuer statement more than 3 years after you filed the original Form 1099-B. If you receive or are deemed to receive an issuer statement after furnishing a transfer statement for a covered security, you must furnish a corrected transfer statement within 15 days of receiving the issuer statement. But you do not have to furnish a corrected transfer statement if you receive the issuer statement more than 18 months after you furnished the original transfer statement.

**More information.** For more information, see Form 8937 and its instructions and Regulations section 1.6045B-1.

**Barter Exchanges**

A barter exchange is any person or organization with members or clients that contract with each other (or with the barter exchange) to jointly trade or barter property or services. The term does not include arrangements that provide solely for the informal exchange of similar services on a noncommercial basis. Persons who do not contract with a barter exchange but who trade services do not file Form 1099-B. However, they may have to file Form 1099-MISC.

**Transactional/aggregate reporting.** Barter exchanges involving noncorporate members or clients must report each transaction on a separate Form 1099-B. Transactions involving corporate members or clients of a barter exchange may be reported on an aggregate basis.

**Member information.** In the recipient area of Form 1099-B, enter information about the member or client that provided the property or services in the exchange.

**Exceptions.** Barter exchanges are not required to file Form 1099-B for:

1. Exchanges through a barter exchange having fewer than 100 transactions during the year,
2. Exempt foreign persons as defined in Regulations section 1.6045-1(g)(1), or
3. Exchanges involving property or services with a fair market value of less than \$1.00.

**Statements to Recipients**

If you are required to file Form 1099-B, you must provide a statement to the recipient. For more information about the requirement to furnish a statement to the recipient, see part M in the 2013 General Instructions for Certain Information Returns.

**2nd TIN Not.**

You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account. However, if you received both IRS notices in the same year, or if you received them in different years but they both related to information returns filed for the same year, do



not check the box at this time. For purposes of the two-notice-in-3-years rule, you are considered to have received one notice, and you are not required to send a second "B" notice to the taxpayer upon receipt of the second notice. See part N in the 2013 General Instructions for Certain Information Returns for more information.



For more information on the TIN Matching System offered by the IRS, see the 2013 General Instructions for Certain Information Returns.

### CUSIP Number

For transactional reporting by brokers, enter the CUSIP (Committee on Uniform Security Identification Procedures) number of the security or other applicable identifying number.

### Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-B. Additionally, the IRS encourages you to designate an account number for all Forms 1099-B that you file. See part L in the 2013 General Instructions for Certain Information Returns.

### Box 1a. Date of Sale or Exchange

For broker transactions, enter the trade date of the sale or exchange. For short sales, see *Short sales of securities*, earlier. For barter exchanges, enter the date that cash, property, a credit, or scrip is actually or constructively received.

### Box 1b. Date of Acquisition

Enter the acquisition date of any securities sold. Leave this box blank if:

- The securities sold were acquired on a variety of dates, or
- You check box 6a and do not choose to complete box 1b.

For short sales, see *Short sales of securities*, earlier.

### Box 1c. Type of Gain or Loss

Determine whether the gain or loss is short-term or long-term under section 1222. In making the determination, you must do the following.

- Consider any information reported on a transfer statement.
- Consider any information reported on Form 8937.
- Apply the rules for stock acquired from a decedent.
- Apply the rules for stock acquired as a gift.
- If a customer acquired securities that caused a loss from a sale of other securities to be both nondeductible under section 1091 and reported in box 5 of an earlier Form 1099-B, use the rules in section 1223(3) to determine the holding period of the acquired securities.
- In the case of a short sale, report whether any gain or loss on the closing of the short sale is short-term or long-term based on the acquisition date of the security delivered to close the short sale. Apply the rule in section 1233(d), if applicable.

You are not required to consider other transactions, elections, or events occurring outside the account when determining whether the gain or loss on the sale is short-term or long-term. You are also not required to apply section 1259 (constructive sales), 475 (mark-to-market method of accounting), 1092 (straddles), 1233(b)(2) (short sales), 1296

(mark-to-market method of accounting for marketable stock in a passive foreign investment company), 852(b)(4)(A), 857(b)(8), 852(b)(4)(B) (regulated investment company and real estate investment trust adjustments), and Regulations section 1.1221-2(b) (hedging transactions).

### Box 1d. Stock or Other Symbol

Enter the stock or other symbol of securities sold.

### Box 1e. Quantity Sold

Enter the quantity sold.

### Box 2a. Stocks, Bonds, etc.

Enter the aggregate gross cash proceeds from all dispositions of securities (including short sales), commodities, or forward contracts. Show a loss, such as one from a closing transaction on a forward contract, as a negative amount by enclosing it in parentheses.

For sales before 2014, you may, but are not required to, reduce gross proceeds by commissions and transfer taxes, if that is consistent with your books. For securities sold because of the exercise of an option granted or acquired before 2014, you may, but are not required to, take into account option premiums in determining gross proceeds if that is consistent with your books. If you reduce gross proceeds by commissions, transfer taxes, or option premiums, check the second box in box 2a. Otherwise, check the first box.

Do not include amounts shown in boxes 9 through 12.

If identical stock is sold at separate times on the same calendar day by a single trade order and a single confirmation is given that reports to the customer an aggregate price or an average price per share, you can determine gross proceeds by averaging the proceeds for each share. However, do not do this if the customer notifies you in writing of an intent to determine the proceeds from the sale by the actual proceeds per share and you receive that notification by January 15 of the calendar year following the year of the sale. You may extend the January 15 deadline but not beyond the due date for filing Form 1099-B.

Do not include any accrued interest on bonds sold between payment dates (or on a payment date) in this box. Instead, report, this accrued interest on Form 1099-INT.

For reporting an acquisition of control or substantial change in capital structure, see page 2.

### Box 2b. Check If Loss Not Allowed Based on Amount in Box 2a

See *Acquisition of control or substantial change in capital structure*, earlier.

### Box 3. Cost or Other Basis

Enter the adjusted basis of any securities sold unless the security is not a covered security and you check box 6a. If you check box 6a and are not reporting basis, leave box 3 blank. Enter "0" in box 3 only if the securities sold actually had a basis of zero.

**Covered security.** A covered security is any of the following.

- A specified security (defined next) acquired for cash in an account after 2010, except stock for which the average basis method is available.
- Stock for which the average basis method is available and that is acquired for cash in an account after 2011.
- A specified security transferred to an account if the broker or other custodian of the account receives a transfer statement (explained earlier) reporting the security as a covered security.
- A security acquired due to a stock dividend, stock split, reorganization, redemption, stock conversion, recapitalization, corporate division, or other similar action, if the basis of the acquired security is determined from the basis of a covered security.

**Specified security.** A specified security is any share of stock (or any interest treated as stock, such as an American Depositary Receipt) in an entity organized as, or treated for federal tax purposes as, a corporation (foreign or domestic). For this purpose, a security classified as stock by the issuer is treated as stock. If the issuer has not classified the security, the security is not treated as stock unless the broker knows that the security is reasonably classified as stock under general federal tax principles.

**Noncovered security.** A noncovered security is any security that is not a covered security.

The following securities are not covered securities.

- Stock acquired in 2011 that was transferred in 2011 to a dividend reinvestment plan that meets the requirements of Regulations section 1.1012-1(e)(6). However, a covered security acquired in 2011 and transferred to a dividend reinvestment plan after 2011 remains a covered security. For purposes of this rule, stock is considered transferred to a dividend reinvestment plan if it is held in a plan that is not a dividend reinvestment plan and the plan amends its plan documents to become a dividend reinvestment plan. The stock is considered transferred as of the effective date of the plan amendments.
- A security acquired due to a stock dividend, stock split, reorganization, redemption, stock conversion, recapitalization, corporate division, or other similar action, if the basis of the acquired security is determined from the basis of a noncovered security.
- A security that, when acquired, did not have to be reported on Form 1099-B because it was acquired from an exempt recipient or an exempt foreign person as defined in Regulations section 1.6045-1(g)(1).
- A security for which reporting is required by Regulations section 1.6049-5(d)(3)(ii) (certain securities owned by a foreign intermediary or flow-through entity).

**Identification of securities.** If the customer has acquired securities on different dates or at different prices and sells less than the entire position in the security, report the sale according to the customer's adequate and timely identification of the security to be sold. If no identification is provided, report the sale in this order.

1. Any shares for which the acquisition date is unknown.
2. The shares that were acquired first, whether they are covered or noncovered securities.

**Average basis method.** Generally, the average basis method is available for either of the following types of stock if

the customer leaves the shares with a custodian or agent in an account and acquires identical shares of stock at different prices in the account.

- Stock in most mutual funds or other regulated investment companies.
- Stock acquired after 2010 in connection with a dividend reinvestment plan that meets the requirements of Regulations section 1.1012-1(e)(6).

Compute basis using the average basis method if:

- The customer elects that method, or
- You choose the average basis method as your default method, and the customer does not give you any other instructions.

Generally, determine the average basis of a share of stock by dividing the aggregate basis of all shares of identical stock in an account by the total number of shares, regardless of holding period. But see Regulations section 1.1012-1(e) for details.

**Adjusted basis.** The adjusted basis is:

- The initial basis (defined next) as of the date the security is acquired in an account, plus
- The commissions and transfer taxes related to the sale to the extent not accounted for in gross proceeds.

In reporting the adjusted basis, take into account all information, other than the classification of the security (such as stock), reported on a transfer statement or issuer return furnished to you or deemed furnished to you, unless that statement or return is incomplete or you know it is incorrect. See *Transfer Statement and Issuer Return for Actions Affecting Basis*, earlier. Also, treat Form 2439 as an issuer return and take into account the effects of undistributed capital gains reported to you on the form by a regulated investment company or real estate investment trust.

You are not required to consider other transactions, elections, or events occurring outside the account when determining basis.

You are also not required to apply section 1259 (constructive sales), section 475 (mark-to-market method of accounting), and section 1296 (mark-to-market method of accounting for marketable stock in a passive foreign investment company).

**Initial basis.** If a customer paid cash for a security, the initial basis is:

1. The total cash paid by the customer or credited against the customer's account, plus
2. The commissions and transfer taxes to buy the security.

You may, but do not have to:

- Take option premiums into account to determine the initial basis of securities acquired by exercising an option granted or acquired before 2014, or
- Increase initial basis for income recognized upon the exercise of a compensatory option or the vesting or exercise of other equity-based compensation arrangements granted or acquired before 2014.

You must report the basis of identical stock by averaging the basis of each share if:

- The stock was purchased at separate times on the same calendar day in executing a single trade order, and
- The broker executing the trade provides a single confirmation to the customer that reports an aggregate total price or an average price per share.

However, do not average the basis if the customer timely notifies you in writing of an intent to determine basis by the actual cost per share.

The initial basis of a security transferred to an account is generally the basis reported on the transfer statement. If a transfer statement indicates that the security is acquired as a gift, you must apply the relevant basis rules for property acquired by gift in determining the initial basis, except you do not have to adjust the basis for gift tax. Treat the initial basis as equal to the gross proceeds from the sale if:

- Neither gain or loss is recognized because of the basis rules for gift property, or
- The initial basis depends on fair market value as of the date of the gift and you neither know nor can readily ascertain this value.

**Short sales.** In the case of a short sale, report the adjusted basis of the security delivered to close the short sale.

**Wash sales.** If a customer acquired securities that caused a loss from a sale of other securities to be both nondeductible under section 1091 and reported in box 5 of an earlier Form 1099-B, increase the adjusted basis of the acquired securities by the amount of the disallowed loss.

**Corporate mergers.** Report only the net reduction in basis between stock exchanged and stock received when reporting the payment of cash paid as part of a corporate merger, reorganization, or similar event that is taxable only to the extent that cash or property other than stock or securities ("boot") is received and for which no loss can be recognized. Enter only the amount of the reduction attributable to the amount reported in box 2a. Enter the amount as a positive number. However, do not apply this rule, and instead report adjusted basis as described earlier, for any stock considered to have been redeemed or sold, for example, fractional shares of stock resulting from the merger that are only paid in cash.

**Example.** Your customer Fred buys 100 shares of covered stock in MNO Corporation for \$5,000 in February 2013. MNO Corporation merges with PQR Corporation in December 2013. The merger is taxable only to the extent that boot is received. Fred receives 100 shares of PQR stock with a value of \$4,700 and \$800 cash boot in exchange for his MNO stock. Fred's resulting basis in the PQR stock is \$4,700. Report the \$800 cash boot in box 2a, and report \$300 in box 3 to reflect the net reduction in basis from \$5,000 (for the MNO stock) to \$4,700 (for the PQR stock).

#### Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, persons who have not furnished their TIN to you in the manner required are subject to withholding on certain amounts required to be reported on this form. This is called backup withholding. For more information on backup withholding, including the rate, see part N in the 2013 General Instructions for Certain Information Returns.

Use Form W-9 to request the TIN of the recipient. For foreign recipients, request the recipient complete the appropriate Form W-8. See the Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY.

#### Box 5. Wash Sale Loss Disallowed

Report any loss disallowed under section 1091 only if both the sale and purchase transactions occur in the same

account with respect to covered securities with the same CUSIP number. You are permitted, but are not required, to report in box 5 all loss disallowed under section 1091. For example, you may report a disallowed loss even though a security is sold in one account and repurchased in a different account. Increase the adjusted basis of the acquired securities by the amount of the disallowed loss reported in box 5.

You also do not have to apply the wash sale rules if:

- The purchased security is transferred to another account before the wash sale,
- The purchased security was purchased in another account and later transferred into the account from which securities were sold,
- The securities are treated as held in separate accounts, or
- The customer has notified you in writing (including in an electronic format) that he or she has made a valid and timely mark-to-market election under section 475 and identifies the account from which the securities were sold as containing only securities subject to the election.

For more details, see Regulations section 1.6045-1(d)(6)(iii).

**Example.** Your customer Joe buys 100 shares of covered securities for \$1,000 in September 2013. In October 2013, he sells them for \$600. Within 30 days of the sale, he buys 75 shares with the same CUSIP number in the same account. Since his loss is \$400 (\$1,000 minus \$600) but the loss on 75 shares is disallowed, his disallowed loss is \$300. Report the \$600 gross proceeds from the sale in box 2a, \$1,000 basis in box 3, and \$300 wash sale disallowed in box 5.

#### Box 6a. Check If a Noncovered Security

You may check the box if reporting the sale of a noncovered security. Do not check this box if reporting the sale of a covered security.

If you check this box, you do not have to complete boxes 1b, 1c, 3, and 5, and you do not have to check box 6b. If you check box 6a and choose to complete boxes 1b, 1c, 3, and 5, you are not subject to penalties under section 6721 or 6722 for failure to report boxes 1b, 1c, 3, and 5 correctly. If you do not check box 6a, you are subject to penalties under sections 6721 and 6722 for failure to report boxes 1b, 1c, 3, and 5 correctly even if you are reporting the sale of a noncovered security.

#### Box 6b. Check If Basis Reported to IRS

Check this box if:

- You are not checking box 6a, or
- You are checking box 6a but are reporting basis to the IRS in box 3 anyway.

#### Box 7. Bartering

Enter the gross amounts received by a member or client of a barter exchange. This includes cash received, the fair market value of any property or services received, and the fair market value of any trade credits or scrip credited to the member's or client's account. However, do not include amounts received by a member or client in a subsequent exchange of credits or scrip. Do not report negative amounts.



**Box 8. Description**

Enter a brief description of the disposition item (for example, 100 shares of XYZ Corp. stock). If necessary, abbreviate the description so that it fits within box 8. Also, enter the class or classes of stock (for example, preferred, common, etc.) that were exchanged, whether for cash or other property. Abbreviate the class to fit the entry. For example, enter "C" for common stock, "P" for preferred, or "O" for other. Also abbreviate any subclasses.

For bartering transactions, describe the services or property provided.

For regulated futures contracts and forward contracts, enter "RFC" or other appropriate description.

See *Acquisition of control or substantial change in capital structure*, earlier, for the information to enter in box 8 for that type of transaction.

**Regulated Futures Contracts (Boxes 9 Through 12)—Brokers Only:**

If you complete boxes 9 through 12, do not complete any other numbered box except box 8 and, if applicable, box 4.

**Box 9. Profit or (Loss) Realized in 2013 on Closed Contracts**

Enter the profit or (loss) realized by the customer on closed regulated futures or foreign currency contracts in 2013.

**Box 10. Unrealized Profit or (Loss) on Open Contracts—12/31/2012**

Enter the unrealized profit or (loss) on open regulated futures or foreign currency contracts at the end of 2012.

**Box 11. Unrealized Profit or (Loss) on Open Contracts—12/31/2013**

Enter the unrealized profit or (loss) on open regulated futures or foreign currency contracts at the end of 2013.

**Box 12. Aggregate Profit or (Loss) on Contracts**

Enter the aggregate profit or (loss) for the year from regulated futures or foreign currency contracts. Use boxes 9, 10, and 11 to figure the aggregate profit or (loss).

**Box 13. State**

Enter the two-letter postal abbreviation of the state for which state income taxes are being withheld.

**Box 14. State Identification No.**

Enter the payer's state identification number.

**Box 15. State Tax Withheld**

Enter the state income tax withheld.