

Investment Compliance Solutions

# Corporate Actions Taxability Management





## The rules have changed

When it comes to corporate actions coverage for tax reporting purposes, the rules have changed. As a result of the cost basis reporting law whether you are a tax, legal or operations professional responsible for corporate actions processing, you now need detailed corporate actions taxability information to adjust the basis of covered foreign and domestic securities when reporting the sales of those securities, to provide accurate 1099-B and transfer reporting information to your customers and to the IRS—or you'll face significant penalties.

## Manage the change in this new world of tax

Traditionally, tax and legal professionals relied on content-rich tools and resources for corporate actions analysis and tax accurate details. With cost basis reporting now law, more than ever they will need this in-depth expert content for accurate corporate actions taxability determinations and corporate actions processing.

Prior to the cost basis law, broker operations professionals typically applied simplified accounting methods—that did not have to be tax accurate—to process events. Because the cost basis law generally mandates tax accurate corporate actions adjustments, these simplified methods will no longer suffice. In fact, operations professionals increasingly need access to the expert content relied upon by tax and legal departments for detailed corporate actions tax information to process events. Optimally, broker operations departments will have technology that automates delivery of these essential foreign and domestic corporate actions tax details to upload directly into their portfolio accounting systems to adjust the basis of the securities held by their organizations.

### Avoid significant noncompliance penalties

- \$200 per inaccurate Form 1099-B—up to a \$3mil aggregate annual limit (plus interest)
- If due to intentional disregard, 10% of what should have been reported—with no annual maximum limit



Additionally, operations and customer service groups need basis calculators to fill year-end 1099 and year-round transfer reporting gaps, as well as to provide customers with cost basis information for noncovered securities.

Since the cost basis law significantly raises the tax accuracy requirements for processing corporate actions, it is essential that risk and operations managers plan and budget for the new tools and additional resources that are now necessary for cost basis reporting compliance to reduce penalty risk exposure for their organizations.

## Get the corporate actions tax details you need for cost basis reporting compliance

At Wolters Kluwer Financial Services, tax accuracy is paramount. That's why we continuously embed our solutions with tax-accurate expertise and functionality. Tax, legal and operations professionals at blue chip brokerage firms count on us for unparalleled foreign and domestic corporate actions tax content and sophisticated technology—including a basis calculator, for investment tax reporting and compliance with the cost basis reporting law. Our solutions include:

### **Capital Changes**

In-depth corporate actions tax analysis, commentary and rich taxability details

### **Corporate Actions Taxability Service**

Automated delivery of fielded taxability information for cost basis reporting

### **BasisPro**

Cost basis and wash sale calculator



## Capital Changes

### In-depth corporate actions analysis, commentary and rich taxability details

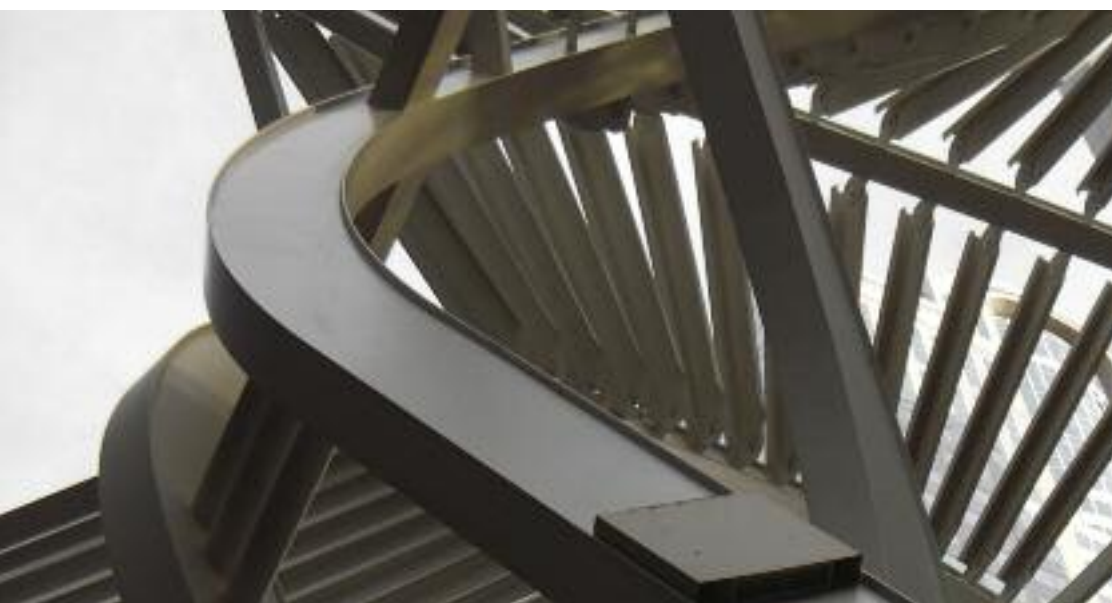
Capital Changes provides rich and comprehensive tax content which covers daily and historical U.S. and international corporate events, including analysis, commentary and taxability determinations. Thousands of tax, legal and corporate actions professionals responsible for reviewing, researching and booking events at leading brokerage, banking, investment management and legal organizations already rely on Capital Changes to facilitate tax accurate reporting. More than ever, with cost basis reporting now law, tax professionals as well as broker operations teams, need this in-depth taxability content to assist with compliance.

You can access this rich content via online subscription services or via direct data feeds. Daily subscribers have access to our expert editorial staff, and real-time alert notifications for events of interest are also available. Capital Changes delivers:

- Daily Online Subscriptions
- Historical Online Subscriptions
- Direct Data Feeds (DDF)
- Compass Alert Service
- Issuer Reporting Service

### In-depth, corporate actions content and tax details

- Rich tax analysis and commentary with detailed taxability codes
- Reliable return of capital and taxability information
- Non-cash dividends tax details
- Sec. 302 and PFIC information
- Extensive historical data
- **Newly Added:** Security tax classification
- **Newly Added:** Issuer statement coverage



## Corporate Actions Taxability Service

### Automated delivery of fielded taxability information for cost basis reporting

Even before cost basis reporting became law, one of the most challenging aspects of processing corporate actions was incorporating the resulting and often complex basis related adjustments—typically described in corporate action tax opinions—into operations portfolio accounting systems. Our Corporate Actions Taxability Service automates targeted coverage of the tax consequences of foreign and domestic corporate actions to assist with basis adjustments for cost basis reporting. This highly customizable service simplifies access to the corporate actions tax details that you need to process events impacting the foreign and domestic securities you hold.

You simply specify and upload your foreign and domestic securities of interest (SOI) into our system. Leveraging data from SIX Telekurs and Capital Changes, this service then applies a rules-based logic to determine taxability for corporate actions affecting your SOI. On a daily basis, you can create corporate actions taxability XML data files to upload into automated portfolio accounting systems to adjust the basis of your SOI, and you can also produce custom taxability reports for processing and validating. This flexible service allows you to update and continuously customize your SOI to ensure that you have access to the corporate actions tax consequences you need for cost basis reporting. Our Corporate Actions Taxability Service includes:

- FCATS™—Foreign Corporate Actions Taxability Service
- DCATS™—Domestic Corporate Actions Taxability Service

### Automated foreign and domestic corporate actions tax determinations

- Specify and upload your foreign and domestic Securities of Interest (SOI) into the system
- Create custom corporate actions views
- Generate daily, corporate actions taxability XML data files to upload into your portfolio accounting system
- Export corporate actions taxability information into custom reports for processing and validating
- Access the key taxability attributes behind the corporate actions

## BasisPro

### Cost basis and wash sale calculator

BasisPro is a cost basis and wash sale calculator that offers a simple way to calculate cost basis information, saving time and minimizing inaccuracies in basis reporting. Leveraging our sophisticated GainsKeeper® technology and our expert corporate actions content, BasisPro adjusts basis for corporate actions and wash sales for tax reporting.

Already supporting numerous accountants, operations departments and customer support groups at leading financial services firms, BasisPro offers an efficient way for you to meet the cost basis law transfer reporting requirements when basis is not provided. BasisPro can also be used to fill missing basis gaps for year-end 1099 reporting.

### Quick and accurate access to basis information

- U.S. equities and mutual funds
- Historical calculations back to 1950
- Price and DRP estimates for cash dividends as far back as 1973

## Know the law

- The cost basis reporting law requires brokers to provide detailed securities cost basis information to the IRS and to taxpayers, beginning with stock acquired on or after January 1, 2011.
- The law specifically requires that brokers take into account the taxability effect of any issuer reported corporate action on the cost basis of a covered security when reporting the sale of that security.
- Because the law does not carve out foreign securities, the taxability effect of reported corporate actions on covered foreign securities must generally be accounted for to comply.



Get the expert corporate actions taxability tools you need for research, processing and calculations.

When it comes to corporate actions taxability, whether you need detailed information for research and decision making, foreign and domestic coverage for processing or on demand basis adjustment calculations, count on Wolters Kluwer Financial Services for expert content and sophisticated technology tools for investment tax reporting and compliance with the cost basis law.

Call us at **800-472-1009** and select option 2 for more information about our corporate actions taxability tools.





## Our Expert Corporate Actions Tax Team

- A dedicated Tax Director and tax team, with long-standing 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
- A sophisticated technology team with close to a century of tax lot accounting experience

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



**Wolters Kluwer Financial Services** is a comprehensive regulatory compliance and risk management business that helps financial organizations manage operational, compliance and financial risk and reporting, and improve efficiency and effectiveness across their enterprise. The organization's prominent brands include: FRS Global, ARC Logics<sup>®</sup> for Financial Services, PCi, Compliance Resource Network, Bankers Systems, VMP<sup>®</sup> Mortgage Solutions, AppOne<sup>®</sup>, GainsKeeper<sup>®</sup>, Capital Changes, NILS, AuthenticWeb<sup>™</sup> and Uniform Forms<sup>™</sup>.

Wolters Kluwer Financial Services supports its global customers with more than 30 offices in 20 countries and is a leading worldwide provider of compliance and risk management solutions for the financial services industry, serving more than 15,000 banking, insurance and securities customers across the globe. Wolters Kluwer Financial Services is part of Wolters Kluwer, a leading global information services and publishing company with annual revenues of (2010) €3.6 billion (\$4.7 billion) and approximately 19,000 employees worldwide.

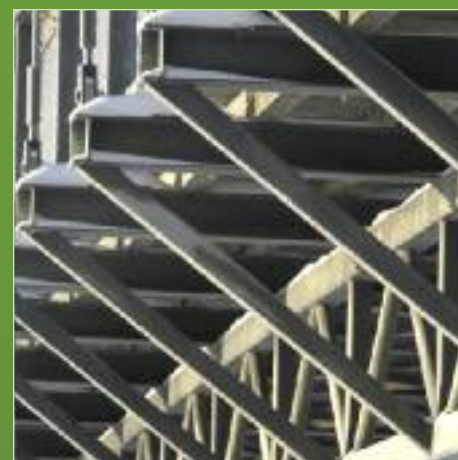
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To learn more about the cost basis reporting law, visit [www.costbasisreporting.com](http://www.costbasisreporting.com).