

# GainsKeeper® FundTaxPro

## PFIC Section 1296 MTM and Basis Adjustment Functionality

### Streamline PFIC Calculations

The passive foreign investment companies (PFIC) rules were enacted as part of the Tax Reform Act of 1986 as a way of addressing perceived abuses in the U.S. taxation of offshore investments compared to U.S. investments. As a result, fund tax managers investing in one or more PFICs face additional regulatory, tax reporting and operational challenges when computing taxable income, distribution requirements or other calculations as required by the Internal Revenue Code (IRC) and IRS regulations.

How do you efficiently manage PFIC tracking and associated tax calculations and reporting? Manual tracking of PFIC calculations is tedious, time-consuming and prone to error-risk. That's why more and more fund tax managers and administrators are increasingly relying on automation to streamline complex tax calculations and reporting, including accounting for PFICs.

### Automate PFIC Calculations and Reporting

GainsKeeper FundTaxPro is a powerful automated tax reporting solution already relied upon by more than 3,800 U.S. mutual and hedge funds. This solution includes a sophisticated PFIC calculation and tracking module. Clients provide a list of securities identified as PFICs, and FundTaxPro's PFIC module fully automates the required calculations and tracking associated with the IRC Code Sec 1296 mark-to-market election for PFICs. By automating this process, you can reduce the risks of inaccurate fund distributions and associated IRS penalties.

### Automate IRC Code Sec 1296 Mark-to-Market PFIC Election Calculations

- Automates the mark-to-market calculation including historical unreversed inclusions and limitations on loss to the extent of prior year unreversed inclusions on a lot by lot basis
- Automates the storage of mark-to-market balances on a lot-by-lot basis for seamless transition from year to year
- Calculates the adjustment related to the sale of PFIC securities automatically.
- Calculates all necessary book-to-tax reclassifications as well holding period adjustments associated with the mark-to-market rules
- Robust functionality built-in to transition historical records of a prior system for use in the PFIC module
- Built-in automated functionality to calculate based on multiple periods (fiscal, excise or other user-defined period)
- Automatically accounts for ceased PFICs within a designated period



## Sample Report

GainsKeeper®		Institutional Services
<a href="http://www.gkis.net">http://www.gkis.net</a>		
<b>PFIC Income and Basis Adjustments Report</b>		
ABCD Test Fund		
From: 01/01/2011 To: 12/31/2011 Excise: 10/31/2011		
Book to Tax Entries Summary	Ordinary	
PFIC Income Adjustments	(3,142.57)	
01/01/2011 - 12/31/2011		
Reverse Book ST G/L		759,520.00
Reverse Book LT G/L		
Post remaining Tax G/L to Ordinary Income	697,626.92	
Post remaining Tax G/L to ST		(1,982,775.16)
Post remaining Tax G/L to LT		
Unreversed Inclusions Recon		
Total Prior Year UI	968,853.00	
Current Year UI	91397.29	
PY UI Used in Ord. Adj	(94,539.86)	
Prior Year UI Reversed in PFIC Sold	(874,313.14)	
Total Cumulative Outstanding UI	91,397.29	

### FundTaxPro PFIC Benefits:

- Significantly reduce time spent on mark-to-market calculations
- Reduce risk by ensuring correct lots, shares, cost and market values—reconciled to the client accounting system—are used in the calculations
- Generate extensive audit trail and roll forward of historical and current amounts calculated within the report
- Seamless, automated data flow from books and records to the PFIC calculator

**DISCLAIMER:** The information and views set forth in Wolters Kluwer Financial Services Securities Tax Solutions' communications are general in nature and are not intended as legal, tax, or professional advice. Although based on the law and information available as of the date of publication, general assumptions have been made by Wolters Kluwer Financial Services Securities Tax Solutions' communications which may not take into account potentially important considerations to specific taxpayers. Therefore, the views and information presented by Wolters Kluwer Financial Services Securities Tax Solutions' communications may not be appropriate for you. Readers must also independently analyze and consider the consequences of subsequent developments and/or other events. Readers must always make their own determinations in light of their specific circumstances.

**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: FRSGlobal, ARC Logics® for Financial Services, PCI, Compliance Resource Network, Bankers Systems, VMP® Mortgage Solutions, AppOne®, GainsKeeper®, Capital Changes, NILS, AuthenticWeb™ and Uniform Forms™. 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 (2011) €3.6 billion (\$4.7 billion) and approximately 19,000 employees worldwide. Please visit our website for more information.

#### Wolters Kluwer Financial Services

130 Turner Street,  
Building 3, 4th Floor  
Waltham, MA 02453  
800.472.1009 option 2



**Wolters Kluwer**  
Financial Services

Learn more at [WoltersKluwerFS.com](http://WoltersKluwerFS.com)  
or call 800.472.1009 option 2