



Wolters Kluwer  
Financial Services

# FundTax Pro from GainsKeeper

With StraddleTracker and  
ConstructiveSaleTracker

**FundTax Pro is a powerful automated tax reporting solution for mutual and hedge funds that includes GainsKeeper's new StraddleTracker and ConstructiveSaleTracker functionality. By automating complex portfolio tax reporting issues, FundTax Pro provides accurate straddle, constructive sale and wash sale adjustments for capital gain and loss tax reporting and reduces the manual tax adjustment processing effort.**

## FundTax Pro Benefits

- Eliminate potential reconciliation errors that can occur when wash sale, straddle and constructive sales rules are applied using separate spreadsheets and systems
- Process up to 10,000 transactions a second and avoid critical production delays
- Reduce the amount of time spent on tax reporting compliance
- Facilitate tax provision completion as well as 1120-RIC preparation
- Address multiple tax rules with integrated straddle, short sale, wash sale and constructive sale algorithms

## Finally, an Integrated Automated Straddle Solution!

Fund tax managers and administrators continually worry about portfolio transaction losses that may be subject to mandatory deferral under tax rules. One of the most troubling is the straddle rule in Internal Revenue Code (IRC) Sec. 1092. This rule is extremely complex and can require tracking of positions over multiple tax years to determine the amount of book losses that may be subject to required deferral and when all or only a portion of such losses may be released in subsequent years. The complexities make manual tracking of straddles and their deferred losses tedious and time consuming, draining tax resources already under constant time and cost constraints. The burden is compounded because loss deferrals are determined on both an excise tax and filing tax year cycle, increasing the risk of short cuts triggering tax reporting errors.

FundTax Pro applies both of the two distinct loss deferral rules included in the straddle rule and then tracks positions in future periods to determine whether all or only a portion of such deferred losses are "released" or reversed in future tax years.

## Short Sales and Modified Short Sales

The straddle rules not only require the deferral of losses but they also include the modified short sale rules affecting holding periods related to the short sale rules of IRC Sec. 1233. In turn, holding period adjustments may affect whether gains or losses are long- or short-term and result in book/tax differences. FundTax Pro accounts for short sale and modified short sale rule holding period adjustments and can also track the related book/tax differences.



## A Time Saving Automated Straddle Linking System

A critical but tedious aspect of reviewing an investment portfolio for potential straddles is linking or identifying the particular positions in a portfolio that make up each straddle. FundTax Pro's StraddleTracker does this linking using client provided logic for selecting and matching positions. Because the straddle rule is so complicated and the IRS has not yet provided detailed guidance on many issues relating to straddles, this approach provides maximum flexibility and customization for tax managers and administrators.

## Includes an Automated Constructive Sale Tool

A separate tax rule that has provoked client requests for automation has been the constructive sale rule of IRC Sec. 1259. Under the constructive sale rule, a taxpayer must generally recognize gain on the constructive sale of an appreciated financial position even though the position is not actually sold or disposed until a later tax year. As is the case with straddle rule linking, portfolio securities must be analyzed to determine if another position triggers a constructive sale. This analysis also makes the constructive sale rule ripe for automation efficiencies.

All of the burdens and risks discussed above regarding straddles are similar concerns for tax managers and administrators in complying with the constructive sale rule. With FundTax Pro's ConstructiveSaleTracker the testing and computation of recognized constructive sale gains and related basis and holding period adjustments for constructive sales are automated.

## Accurate Wash Sales

GainsKeeper's industry recognized FundTax wash sale automation is also included with FundTax Pro providing complete tracking of wash sale deferrals and reversals, holding period carry-overs, and basis adjustments. The wash sale algorithms are fully integrated with corporate action functionality — helping eliminate the arduous task of tracking wash sales across reorganization events such as mergers, acquisitions, and spin-offs. Customized reports provide a detailed audit trail of all wash sale adjustments.

## The Flexibility You Need

FundTax Pro is flexible enough to work with your organization's infrastructure. Compatible with many industry-standard portfolio accounting systems FundTax Pro is delivered as an ASP solution enabling you to minimize the technical hurdles you may face in your enterprise and ensure you are always using the latest software.

To learn more, please call us at  
**800.472.1009** or visit  
[www.gainskeeper.com](http://www.gainskeeper.com).

