

MEMO# 24606

October 13, 2010

IRS Issues Final Regulations on Cost Basis Reporting, Provides Penalty Relief to Brokers for Transfer Reporting Requirement in 2011

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TO: BROKER/DEALER ADVISORY COMMITTEE No. 42-10
BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 35-10
TAX MEMBERS No. 30-10
OPERATIONS MEMBERS No. 12-10
TRANSFER AGENT ADVISORY COMMITTEE No. 59-10
SMALL FUNDS MEMBERS No. 58-10 RE: IRS ISSUES FINAL REGULATIONS ON COST BASIS REPORTING, PROVIDES PENALTY RELIEF TO BROKERS FOR TRANSFER REPORTING REQUIREMENT IN 2011

The Internal Revenue Service ("IRS") and Treasury Department have released final regulations (attached) addressing mandatory cost basis reporting by brokers, including mutual funds. A detailed Institute memorandum describing the final regulations is forthcoming.

The IRS also issued Notice 2010-67 (attached), which provides transitional relief from the transfer statement reporting requirements in section 6045A. The notice provides that the IRS will not assert penalties for failure to furnish a transfer statement under section 6045A for any transfer of stock in 2011 that is not incidental to the stock's purchase or sale. A receiving broker may treat this stock as a noncovered security. Because shares in regulated investment companies ("RICs") are not subject to the transfer reporting requirements until 2012, this transition rule does not apply to RIC shares.

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[Attachment](#)

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