

MEMO# 22022

December 7, 2007

House Passes Energy Bill, Includes Mandatory Cost Basis Reporting

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TO: BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 55-07
BROKER/DEALER ADVISORY COMMITTEE No. 75-07
FEDERAL LEGISLATION MEMBERS No. 13-07
OPERATIONS MEMBERS No. 28-07
SMALL FUNDS MEMBERS No. 110-07
TAX MEMBERS No. 54-07
TRANSFER AGENT ADVISORY COMMITTEE No. 88-07 RE: HOUSE PASSES ENERGY BILL,
INCLUDES MANDATORY COST BASIS REPORTING

The energy bill (H.R. 6) [\[1\]](#) passed by the House of Representatives on December 6, 2007, includes a provision requiring brokers (including mutual funds) to report cost basis information to shareholders and the Internal Revenue Service. The basis reporting provision in H.R. 6 contains two important differences from the provision included in the tax bill passed by the House in November (H.R. 3996). [\[2\]](#) The changes to H.R. 3996 that have been suggested by the Institute are not included in the energy bill. [\[3\]](#)

The first important difference is that H.R. 6 would extend the information reporting deadline from January 31 until February 15, but only for calendar years 2010 and beyond. For calendar years before 2010, the January 31 deadline would continue to apply. The bill also requires the Treasury Department to study the effect and feasibility of delaying the date for furnishing information statements under sections 6042(c), 6045, 6049(c)(2)(A), and 6050N(b) until February 15 and to report its findings to Congress no later than six months after the date of enactment. The report must include the Treasury Department's findings regarding the effect of such delay on tax administration and other administrative or legislative options to improve compliance and ease burdens on taxpayers and brokers with

respect to such statements.

The second important difference is that H.R. 6 would require brokers to report basis information on sales of shares held by S corporations (other than financial institutions). This provision would apply to shares acquired after December 31, 2010.

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endnotes

[1] The text of the bill, the “Clean Renewable Energy and Conservation Act of 2007,” can be found on the Ways and Means Committee website:

<http://waysandmeans.house.gov/media/pdf/110/renewable%20tax%20act%202007.pdf>.

The basis reporting provision, section 1564 of the bill, begins on page 153.

[2] See Institute [Memorandum](#) (21952) to Bank, Trust and Recordkeeper Advisory Committee No. 50-07, Broker/Dealer Advisory Committee No. 71-07, Federal Legislation Members No. 11-07, International Members No. 33-07, Operations Members No. 25-07, Pension Members No. 67-07, Small Funds Members No. 107-07, Tax Members No. 50-07, and Transfer Agent Advisory Committee No. 80-07, dated November 14, 2007.

[3] See, e.g., Institute [Memorandum](#) (22019) to Federal Legislation Members No. 12-07, Tax Members No. 53-07, Operations Members No. 27-07, Small Funds Members No. 109-07, Bank, Trust and Recordkeeper Advisory Committee No. 54-07, Broker/Dealer Advisory Committee No. 74-07, and Transfer Agent Advisory Committee No. 86-07, dated December 6, 2007.