

SECURITIES TRANSACTIONS: INCOME INCLUSION

Type of Distribution	Cost Basis	Holding Period Begins
Purchased Stock	FIFO unless taxpayer can identify specific shares sold & has trade confirmation with that id.	On date of purchase
Cash Dividend	Original cost of stock is increased by amount of dividends reinvested. If plan allows investor to reinvest at a discount from FMV, then this discount will be treated as reportable dividend income.	On day after dividend is issued
Stock Dividend	Basis of original shares is prorated amongst original & new shares. If shareholder elects cash in lieu of stock dividends or receives an increased ownership percentage, he will be taxed on FMV at time of distribution & receive new holding period.	Original purchase date
Fractional Shares	Basis is allocated between original stock & fractional shares received.	Original purchase date
Stock Split	Basis of original shares is prorated amongst original & new shares	Original purchase date
Stock Rights	FMV on distribution date if rights are taxable. Otherwise, basis must be allocated between original stock & rights received. Basis is zero if rights are allowed to expire.	Original purchase date for unexercised rights or date of exercise if new shares are acquired
Warrants	Purchase price of stock + cost of warrant + cost to exercise warrant	Date of exercise
Liquidation Distributions	Reduce basis by amount of distribution. If more is distributed than available basis, capital gain is realized. Upon final dissolution, taxpayer may claim capital loss if less than basis is recovered.	Original purchase date
Spin-offs	Basis is allocated between original stock & fractional shares received. Taxpayer must attach a statement provided by company to tax return as per IRC §355.	Original purchase date
Worthless Securities	Considered sold on last day of tax year.	Original purchase date
Convertible Bonds	Purchase price of stock + cost of convertible bond	Date of purchase of convertible bond
Bond Premiums	Reduce basis by amount of amortization deducted. Post-1998: Taxpayer may elect to amortize and reduce taxable interest income by the amount of amortization – IRC §171 requires amortization for tax exempt bonds.	Date of purchase
Bond Discounts	Increase basis by amount of accretion claimed. Taxpayer may elect to accrete and include amounts accreted as taxable interest income – IRC §1272 requires a basis adjustment for OIDs.	Date of purchase

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