



# Cost Basis Service

## Securities cost basis information and tools

Interactive Data's Cost Basis Service delivers high quality information on the impact of corporate actions on the tax or cost basis of securities, easing the burden of determining capital gains on investments and helping you comply with new cost basis reporting requirements<sup>1</sup>.

Mergers, spin-offs, distributions, stock splits, and numerous other corporate actions can have a significant impact on the cost basis of a security. Investors, tax advisors, and brokerage firms have historically had a difficult time collecting cost basis information due to the difficulty of tracking ownership and the impact of corporate actions.

The lack and inconsistency of cost basis reporting in the financial industry has come under increased government scrutiny in recent years. In a 2006 report, the IRS estimated a loss of \$11 billion from underreported cost basis information.<sup>2</sup> This has resulted in changes to the Internal Revenue Code of 1986 as part of the Energy Improvement and Extension Act of 2008 that require brokers and others to report a customer's adjusted basis when reporting securities transactions, and indicate whether gain is long term or short term.

### *Are you ready to face the challenge of new cost basis reporting rules?*

Interactive Data's Cost Basis Service analyzes corporate actions to help you determine the impact on a security's cost basis, and electronically publishes the information to help securities and tax professionals update, maintain, and derive records to reflect these events. Electronic publishing options allow users to access the information in a variety of ways so the information is available when and how you need it.

### ■ Content

The Interactive Data Cost Basis Service has access to the comprehensive corporate actions coverage of Interactive Data's Corporate Actions Service. The universe of coverage includes securities listed/traded on U.S. exchanges, including American Depositary Receipts (ADRs) (cash distributions and mergers), and a limited set of fixed income (recapitalizations and mandatory exchanges and conversions) and mutual fund (cash distributions and mergers) information.

The following is a partial listing of the information found in the Cost Basis Service announcements:

- CUSIP®
- Issuer
- Issue description
- Tax status
- Cash-in-lieu
- Resulting securities
- Cost basis allocation factor
- Fair market value

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<sup>1</sup> The cost basis reporting requirements are applicable to securities acquired after December 31, 2010 and are effective for equity transactions after January 1, 2011, mutual fund and dividend reinvestment plan transactions after January 1, 2012 and other securities (e.g., fixed income securities, options) after January 1, 2013.

<sup>2</sup> IRS Updates Tax Gap Estimates (IR-2006-28, Feb.14, 2006) Available from the Internal Revenue Service at [www.irs.gov](http://www.irs.gov)

## ■ Event Coverage

The following corporate action types are covered in the Cost Basis Service:

- Conversion (mandatory only)
- Distribution
- Exchange (mandatory only)
- Merger
- Merger Election
- Name Change
- Recapitalization
- Reclassified
- Reverse Stock Split
- Rights Plan
- Spin-Off
- Stock Dividend (including interest and payment history)
- Stock Split
- Tender Offer
- Unit Split

## ■ Flexible Delivery and Tracking Options

Interactive Data is committed to providing data in client preferred formats and delivery systems. This dedication to client needs has led to numerous distribution partnerships with data vendors, and to ongoing development of proprietary web-based services that provide timely data and functionality that help clients utilize our information efficiently.

Cost basis information is available in the following formats:

- Web-based services
- End-of-day files (FTP)
- Online access and hosted application options for the Cost Basis Calculator
- Numerous vendor and software applications
- Intra-day alert options including securities and portfolio tracking that allows you to track specific corporate actions that may have an effect on a security's cost basis
- Customized reports and select automated reporting technologies (email alerts, daily electronic file) and formats

## ■ Cost Basis Calculator

Subscribers to the Cost Basis Service also have access to the Cost Basis Calculator. Simply enter the CUSIP or ticker symbol, the buy and sell dates, the quantity, and the purchase price. Within seconds, the Cost Basis Calculator can return a bottom-line cost basis per share and aggregate cost figure, taking into account cost basis-affecting events (including 'voluntary' events such as merger elections) during the holding period. The Cost Basis Calculator also can be used to calculate the effect of dividend reinvestments (DRIPs) going back to 1971 on covered stocks and mutual funds.

The "Enter More Trades" function allows users to enter multiple tax lots (both purchases and sales) at once, using a number of accounting methods such as First In/First Out (FIFO), specific identification of securities sold and average cost, as applicable. The results are then featured on one concise report that shows the adjusted basis for each tax lot.

Calculator results show the cost basis of securities that may have emanated from the original position. Equipped with historical daily prices going back to 1968, an online CUSIP directory, and a built-in "corporate family tree" function (that helps to identify the starting security when mergers, acquisitions, name changes, or distributions resulted in a different ending security), the Cost Basis Calculator is an invaluable tool for securities operations professionals.

**Notes:** The Cost Basis Calculator does not take into account basis adjustments that are peculiar to the investor, such as basis marked-to-market as a result of death of the beneficial owner, any increase in basis as a consequence of gift tax paid by the beneficial owner, etc. The Cost Basis Calculator does not take into account whether stock was issued by a Passive Foreign Investment Company (PFIC). The determination of PFIC status is complex, and Interactive Data does not undertake any efforts in this regard.

## ■ Benefits

- **Vast History**—Our coverage reaches back in time to the inception of most securities; in some cases more than 100 years
- **Client Service**—Our knowledgeable staff is here to answer your questions
- **Experience**—We have years of experience in the corporate actions business and the necessary tools and sources to track important events

## About Interactive Data

Interactive Data Corporation is a trusted leader in financial information. Thousands of financial institutions and active traders, as well as hundreds of software and service providers, subscribe to our fixed income evaluations, reference data, real-time market data, trading infrastructure services, fixed income analytics, desktop solutions and web-based solutions. Interactive Data's offerings support clients around the world with mission-critical functions, including portfolio valuation, regulatory compliance, risk management, electronic trading and wealth management. Interactive Data is headquartered in Bedford, Massachusetts and has over 2,500 employees in offices worldwide.

For more information, please visit [www.interactivedata.com](http://www.interactivedata.com).

Interactive Data's Pricing and Reference Data business provides global securities pricing, evaluations and reference data designed to support financial institutions' and investment funds' pricing activities, securities operations, research and portfolio management. Interactive Data collects, edits, maintains and delivers data on more than 7 million securities, including daily evaluations for approximately 2.8 million fixed income and international equity issues. Interactive Data specializes in 'hard-to-get' information and evaluates many 'hard-to-value' instruments. Pricing, evaluations and reference data are provided in the U.S. through Interactive Data Pricing and Reference Data, Inc. and internationally through Interactive Data (Europe) Ltd. and Interactive Data (Australia) Pty Ltd.

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