Cost basis FAQ

1. What is cost basis?

Cost basis generally refers to the original value (usually the purchase price) of a security for tax reporting purposes adjusted for various transactions that might occur after the purchase.

2. Why do I have to report cost basis on my tax return?

Shareholders have always been required to report cost basis on their individual tax returns. However, because of the Emergency Economic Stabilization Act of 2008, transfer agents such as Computershare must now report cost basis for certain types of securities acquired after January 1, 2011 (January 2012 for Mutual Fund Shares), to both the security holder and the IRS.

3. How will I know what Computershare is reporting to the IRS?

Computershare will send you an IRS Form 1099-B that reports the details of your sale. The same information will be sent to the IRS. In addition, for share transfers to brokers, Computershare will be required to furnish your broker with basis information on covered shares.

4. What are 'covered' shares?

Covered means that transfer agents, such as Computershare, are required by the IRS to report cost basis to the individual and the IRS for such securities.

5. What are 'noncovered' shares?

Noncovered, or Uncovered, means that cost basis reporting is not required of transfer agents for such securities under the existing law. However, the security holder is still responsible for calculating cost basis for their individual tax returns.

6. What determines whether shares are "covered" or "noncovered"?

Any corporate stock and plan shares acquired on or after 1/1/2011 will be considered covered. Mutual Fund shares acquired on or after 1/1/2012 will also be covered. Noncovered shares are shares acquired prior to the cost basis regulations taking effect for that type of security, or for security types not yet called for under the law.

7. What is Adjusted cost basis?

Adjusted cost basis represents the initial dollar value of a security adjusted as necessary for items that impact cost basis. Examples of these include, but are not limited to, fees, corporate actions, return of capital payments, and wash sales.

8. Which cost basis reporting method will Computershare use when I transfer or sell my shares now that the cost basis regulation is in place?

Partial sales, transfers, and certificate issuances will be processed using the First In, First Out (FIFO) method, unless you tell us otherwise. There are no additional instructions required from you in order for us to process your transaction using the FIFO method.

9. What if I transfer or sell all of my shares; Do I need to do anything?

If transacting on your entire position, cost basis reporting methods become irrelevant. Cost basis calculation methods are only used when there is a partial sale, transfer or certificate issuance by the holder. When a holder sells or transfers their entire covered stock position the basis for the entire position is provided.

TERM DEFINITIONS

Computershare recommends consulting with your tax advisor for information on cost basis and its impact to your specific situation.

Term	Description
Acquisition Date	Trade date of shares; can be an adjusted trade date based on wash sale trade date adjustments.
Adjusted Cost Basis	Represents the dollar cost of a share lot acquisition adjusted as necessary for fees, corporate actions, return of capital payments, reinvested dividends, wash sales and other processing with impact to cost basis.
Average Cost	Cost basis calculation method where the cost of all share lots is totaled and divided by the number of shares, all with the same CUSIP, in an account to determine the average cost per share. Generally this only applies to Mutual Fund shares.
Awaiting Cost Basis Status	Shares received from broker without cost basis [i.e. date/price]. Broker has 15 days to provide cost basis.
Cost Basis (also Tax Basis)	The original value of an asset for tax purposes (usually the purchase price), adjusted for stock splits, dividends and return of capital distributions. This value is used to determine the capital gain.
Constructive Receipt	Transaction is reportable at the time of the effective date shareholder exchanges his/her shares.
Covered Securities / Covered Shares	Investments for which mandatory cost basis reporting is required under the legislation. The timeline for this is: Corporate Stock and plan shares acquired after 1/1/2011; mutual fund shares acquired after 1/1/2012; and all other securities acquired after 1/1/2013.
Double Category Average Cost	At the time of sale or transfer, shares are aggregated by long term and short term holding periods and separate average costs are calculated for each aggregated group. The proposed regulations have eliminated this as a basis determination method.
Fair Market Value (FMV)	The price that a given property or asset would be valued at in the marketplace.
First In First Out (FIFO)	Cost basis calculation method where the first shares purchased in an account are the first shares sold from that account. Ordering of disposition of shares must take holding period revisions for wash sale acquisitions into account.
Highest Price First Out (HIFO)	Cost basis calculation method where the shares with highest price purchased in an account are the first shares sold from that account.
Holding Period	The amount of time elapsed between the acquisition of shares and the disposal (i.e. sale or transfer) of the same shares.
Last In First Out (LIFO)	Cost basis calculation method where the last shares acquired in an account are the first shares sold from that account.
Long Term Gain / Loss	A gain or loss from a qualifying investment owned for longer than 12 months and then sold. The amount of an asset sale that counts toward a capital gain or loss is the difference between the sale value and the adjusted cost basis.
Lot (also Share Lot)	A group of shares associated with a single purchase/reinvest or transfer transaction. Shares in a lot share key data elements such as acquisition date and share price, including basis adjustments.
Lowest Price First Out (LOWFO)	Cost basis calculation method where the shares with the lowest price acquired in an account are the first shares sold from that account.
Non-Constructive Receipt	Transaction is reportable in the tax year that the shareholder exchanges his/her shares and receives an actual payment.
Noncovered shares (Uncovered)	Shares obtained prior to cost basis timeframe for that class. [Example: Corporate Stock and plan shares acquired before 1/1/2011, mutual fund shares acquired before 1/1/2012, and all other securities acquired before 1/1/2013].
Return of Capital (ROC)	A distribution of capital that is not deemed by the issuer to be ordinary income. Return of Capital cost basis may be re-evaluated by the issuer months after a payment is made.
Short Term Gain / Loss	A gain or loss from a qualifying investment owned equal to or less than one year and then sold. The amount of an asset sale that counts toward a capital gain or loss is the difference between the sale value and the adjusted cost basis.
SIFMA	Securities Industry and Financial Markets Association.
Single Category Average Cost	At the time of sale or transfer, share lots are depleted using the FIFO method to determine long term and short term gains or losses.
Specific Lot Identification	Cost basis calculation method where the shareholder selects which share lots to sell or transfer when initiating a transaction and such selection is confirmed by the broker/agent to the shareholder in writing.
Wash Sale Rule (30-Day Wash-Sale Rule)	An Internal Revenue Service (IRS) rule prohibiting a taxpayer from claiming a loss on the sale of an investment when the same investment, or any portion of it, was purchased within 30 days before or after the sale date.