

From the desk of Jeanne M. Kerkstra, Esq., CPA

**Viewpoint
Looking for Bases in all the Wrong Places**

It is interesting to note that earlier in May the IRS came out with a fact sheet (FS-2007-19) on reporting capital gains. Among the most eye-catching was how the IRS claims that the incorrect reporting of basis concerning capital gains transactions is responsible for part of an estimated \$345 billion per year in unpaid taxes. Is it coincidental that the Senate Finance Committee has now come out with bipartisan staff proposal under which brokers would be required to supply their customers with basis information for applicable securities? There are currently stiff penalties for failure to furnish customers with gross proceeds information as well as for failure to maintain records of such information. However, present law does not include penalties concerning basis.

This is a tremendous proposal. It is interesting to note that the proposal applies to securities acquired after the date that is 18 months after the date of enactment. I think that it is wise for the legislators to realize that if it is even possible for brokers to keep accurate cost basis for securities, they will need a significant amount of time to get their “house” in order. That is to say, if it is even possible.

<p>Jeanne M. Kerkstra, Esq., CPA KERKSTRA LAW OFFICES LLC 53 W. Jackson Blvd. Suite 1530 Chicago, IL 60604 312.427.0493 312.675.0500 (fax) jmk@kerkstralaw.com</p>	<p>KERKSTRA LAW OFFICES LLC Problem? Solved.®</p> <p>asset protection • estate planning corporate work • business succession planning forensic investigation • litigation and more</p>
---	--

This material is intended for educational purposes only. The conclusions expressed are those of the author and do not necessarily reflect the views of Kerkstra Law Offices LLC. While this material is based on information believed to be reliable, no warranty is given as to its accuracy or completeness. Concepts expressed are current as of the date appearing in this material only and are subject to change without notice.

TAX ADVICE NOTICE: The Internal Revenue Service (IRS) now requires specific formalities before written tax advice can be used to avoid penalties. This communication does not meet such requirements. You cannot contend that IRS penalties do not apply by reason of this communication.

Posted: Archived