

## **2011 Cost Basis Rule Implementation**

The Emergency Economic Stabilization Act of 2008 requires Broker Dealers to track and report cost basis to the IRS. People's Securities is committed to providing our customers with timely and relevant information regarding each of the three phases of implementation.

The three phases are as follows:

- 2011: Equity securities
- 2012: Mutual funds and dividend reinvestment plan shares
- 2012: Debt securities, options, and all other financial instruments

The first phase of the cost basis regulation is due to be in place on January 1, 2011. Effective with this date, tax reporting for customers will change on covered securities. A covered security is defined as an equity security purchased or acquired on or after January 1, 2011.

People's Securities has historically reported gross proceeds on customer Form 1099-Bs in past years, as required. In addition to the proceeds from sales currently available on Form 1099-B, the following information will be available for covered securities for tax year 2011 (received in 2012).

- Adjusted Cost Basis
- Amount of Realized Gain/Loss
- Whether the gain or loss is short or long-term

You will need to consider the tax implications before you sell an investment because the methods for computing the gain or loss cannot be changed after the trade settles. When you sell an investment, People's Securities Inc. will use the default on the account. For equities, the default method will be FIFO (first in first out) unless you choose a different method.