

Publications

“Cost Basis” Regulations Impact Stock-Based Compensation

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Treasury and the Service recently issued detailed final regulations that provide new rules for reporting the cost basis of securities (and options starting in 2013) on Form 1099-B, and a new transfer statement reporting transfers of securities to a broker. 75 Fed. Reg. 64072 (Oct. 18, 2010). There is also a separate reporting requirement by the employer in the event of corporate action (e.g., stock split) that impacts the basis in its stock. These rules generally become effective January 1, 2011, but with extensive transition rules, as well as penalty relief described in Notice 2010-67 (Oct. 25 [IRS Bulletin](#)).

We commented on these new provisions last year on behalf of our clients to explain the many special rules that apply when stock is received as part of an employee's compensation – seeking a broad carve-out from the new basis reporting on Form 1099-B and transfer statement provisions on the grounds that adequate reporting was already being done under other provisions. While the IRS did not grant a universal exemption, the final regulations better explain the types of arrangements that will (and will not) be subject to these rules, as we discuss in the attached memo.