



## How we help simplify your cost basis reporting in UBS Online Services under the new requirements

Recent legislation requires all financial services firms to report cost basis information to the Internal Revenue Service (IRS) beginning for 2011 annual tax reporting. This information is used to calculate capital gains and losses on the sale of securities when you file your taxes.

**These new cost basis reporting requirements will not affect tax reporting for 2010 or for any security purchased, sold or acquired in 2010 or earlier.**

### Our progress

- We are currently capturing all gains and losses for the sale of equities purchased or acquired on or after January 1, 2011.
- We will report this information to the IRS as part of our annual tax reporting process for the 2011 tax year.
- We will display this information on your 2011 Form 1099, which will be delivered in early 2012.

We will update you periodically, as we continue to enhance our client systems and reporting to comply with IRS rules.

### What this means to you

You will see important changes to UBS Online Services as follows:

The Unrealized/Realized Equity Tax Lot View and the Portfolio View Unrealized/Realized Equity Cost Basis have been enhanced to reflect important changes to individual tax lots.

**A "tax lot" is a record of the details of each separate purchase or acquisition of a security.**

**In the Unrealized and Realized Gain/Loss columns**, a wash sale indicator, "WS," will alert you that the tax lot has been adjusted due to a wash sale.

**A "wash sale" is defined as selling a security at a loss and purchasing the same or identical stock 30 days before or after the trade. In this event, the loss is disallowed and added to the basis of the newly acquired security.**

**The Realized Tax Lot View pages** contain:

- A new column, "Reported by UBS to IRS," indicates a reportable (covered) versus a non-reportable (uncovered) tax lot.

**"Covered" represents any equity tax lots purchased or acquired on or after January 1, 2011. These tax lots must be accurately recorded and reported to clients and to the IRS.**

**"Uncovered" describes any equity tax lots that were purchased or acquired prior to January 1, 2011. These tax lots are not impacted by the new law, and cost basis will be calculated on uncovered securities where UBS has original lot information but will not be reported to the IRS.**

- Another new column, "Method," indicates the selection method used when selling tax lots of the same security. The options are:
  - First In, First Out (FIFO) – selling the tax lots that were purchased or opened first
  - Last In, First Out (LIFO) – selling the tax lots that were purchased or opened most recently



- Highest In, First Out (HIFO) – selling the tax lots that were purchased or opened at the highest cost
- Versus Purchase (VSP) – allowing you to select specific tax lots that you would like to partially or fully sell

**On the Unrealized Cost Basis page**, tax lots may be identified to indicate one of the following:

- The cost basis information was received from an Automated Customer Account Transfer (ACAT) – provided by a source other than UBS Financial Services Inc.
- The tax lot has been adjusted due to a wash sale (supersedes all other adjustments).
- The tax lot has been adjusted by UBS (other than a wash sale).

**Both the unrealized and realized equity tax lots have information that is updated daily as needed during trading hours.**

### **Questions**

If you have questions or would like more information on the new cost basis regulations, please contact your Financial Advisor.

### **Disclosure**

Neither UBS Financial Services Inc. nor its employees provide tax or legal advice. Please consult your tax or legal advisor regarding your personal circumstances.