

FINANCIAL INFORMATION FORUM

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New York, New York 10004

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March 31, 2014

Electronic Delivery

Pamela Lew
Room 5203
Internal Revenue Service
P.O. Box 7604, Ben Franklin Station,
Washington, DC 20044

Re: Cat. No. 64171A - 2014 Instructions for Form 1099-B Proceeds From Broker and Barter Exchange Transactions, published January 23, 2014

Dear Ms. Lew,

The Financial Information Forum (FIF)¹ on behalf of our Cost Basis Working Group (“the Group”) is submitting this comment letter with respect to recent publication of the 2014 Instructions for Form 1099-B². The comments focus on the limitations of certain Boxes within the Instructions.

Limitations of Boxes 1f and 1g

Instructions for Form 1099-B require brokers to enter a code indicating a condition, if applicable, in Box 1f. Codes are provided for wash sales (W), collectibles (C), and market discount (D). Adjustments to amounts are entered into Box 1g that correspond with the code entered in Box 1f.

It doesn’t appear the IRS considered the possibility of reporting an instrument that includes both a market discount and a disallowed loss from a wash sale.

The following example illustrates this condition.

Example 1:

In January, 2014, an investor acquires a bond with market discount and does not make a 1278(b) election to include market discount in income as it accrues. On October 15, 2014, the investor acquires an identical bond. On November 1, 2014, the investor sells the bond purchased in January at a loss, creating a wash sale. In reporting the sale on Form 1099-B, the broker must report both a disallowed loss from a wash sale and accrued market discount.

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. Our [participants](#) include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

² Cat. No. 64171A, published January 23, 2014

If reporting an instrument where both conditions have occurred, does Box 1f provide for multiple codes to be entered? Even if so, combining amounts associated with a wash sale and a market discount and entering the total into Box 1g would result in a number that's useless to the taxpayer in calculating income and gain or loss.

Recommended Solution

We understand that the IRS would like to limit the physical size of the form 1099-B. With that in mind, we are recommending that the IRS:

- Replace Box 1f with a Box where accrued market discount amount may be reported
- Change Box 1g to support reporting of the wash sale amount
- Add a new Box containing a checkbox for whether or not the gross proceeds are for collectibles

This recommended solution will only increase the overall amount of Boxes in the Form by one and will allow for the distinction between the amounts of a wash sale's disallowed loss and accrued market discount.

S Corporation Reporting

There appears to be an inconsistency with the reporting of income for S corporations. We understand we'll need to report income on the 1099-B Form for the sale of a covered security by S corporations including potentially accrued bond premium or accrued market discount, depending on the client's elections. However, there is no income reporting requirement for S corporations on the 1099-INT or 1099-OID Forms. Potentially the same income would not be reportable for an S Corp, again dependent upon the client's elections. At this time the Group expects to only report accrued market discount or accrued bond premium for an S Corp when such income is reportable on the 1099-B.

Instructions for Box 1b on 1099-B Form

We would like to point out the client copy of the 1099-B Form doesn't include Instructions for Box 1b. It appears this has been inadvertently left out of the client Instructions. Without the complete instructions, clients may have a hard time properly reporting the acquisition date of the security.

Summary

We understand a sale that includes both a market discount and has a disallowed loss from a wash sale is a situation that's not likely to occur too often. Though, since it is possible, we believe the 1099-B Form and Instructions should be modified to allow for reporting these two values separately. The Group also wanted to make the IRS aware of the inconsistency in reporting income on the sale of a covered security by S corporations. Lastly, we believe Instructions for Box 1b should be added to the client copy of the 1099-B Form.

Please contact me at 212-655-2935 or darren.wasney@fif.com if you have any questions.

Regards,

A handwritten signature in black ink, appearing to read 'Darren Wasney', with a stylized, cursive script.

Darren Wasney
Program Manager
Financial Information Forum