

Cost Basis

Tax Rates – Tax rates range from 10% to 39.6%. The top tax rate of 39.6% applies to taxpayers with taxable income above \$406,750 (\$457,600 for married taxpayers and \$432,200 for heads of households).

Introduction – Basis is the amount of your investment in property for tax purposes. Use the basis of property to figure depreciation, amortization, depletion, and casualty losses. Also use it to figure gain or loss on the sale or other disposition of property.

Stocks and Bonds – The basis of stocks or bonds you buy is generally the purchase price plus any costs of purchase, such as commissions and recording or transfer fees. If you get stocks or bonds other than by purchase, your basis is usually determined by the fair market value (FMV) or the previous owner's adjusted basis of stock.

If you can adequately identify the shares of stock or the bonds you sold, their basis is the cost or other basis of the particular shares of stock or bonds. If you buy and sell securities at various times in varying quantities and you cannot adequately identify the shares you sell, the basis of the securities you sell is the basis of the securities you acquired first. If you sell mutual fund shares acquired at different times and prices, you can choose to use an average basis.

The Emergency Economic Stabilization Act of 2008 (EESA) requires a broker to report the adjusted basis and type of gain for most stock acquired on or after January 1, 2011. Most brokers are able to provide cost basis information to the taxpayer if requested although they might not have historical cost information if assets were transferred to them from another broker.

Real Property - If you buy real property, certain fees and other expenses become part of your cost basis in the property. You can include in the basis of property you buy the settlement fees and closing costs for buying the property. You cannot include fees and costs for getting a loan on the property.