

Form 8949 Capital Gains Reporting and Impact of 3.8% Medicare Tax

Mastering Complex Calculations and Information Gathering Amid Intensified IRS Scrutiny

TUESDAY, DECEMBER 10, 2013, 1:00-2:50 pm Eastern

IMPORTANT INFORMATION

This program is approved for 2 CPE credit hours. To earn credit you must:

- **Participate in the program on your own computer connection and phone line (no sharing)** - if you need to register additional people, please call customer service at 1-800-926-7926 x10 (or 404-881-1141 x10). Strafford accepts American Express, Visa, MasterCard, Discover.
- **Respond to verification codes presented throughout the seminar.** If you have not printed out the "Official Record of Attendance", please print it now. (see "Handouts" tab in "Conference Materials" box on left-hand side of your computer screen). To earn Continuing Education credits, you must write down the verification codes in the corresponding spaces found on the Official Record of Attendance form.
- Complete and submit the "Official Record of Attendance for Continuing Education Credits," which is available on the program page along with the presentation materials. Instructions on how to return it are included on the form.
- To earn full credit, you must remain on the line for the entire program.

WHOM TO CONTACT

For Additional Registrations:

-Call Strafford Customer Service 1-800-926-7926 x10 (or 404-881-1141 x10)

For Assistance During the Program:

- On the web, use the chat box at the bottom left of the screen

- On the phone, press *0 ("star" zero)

If you get disconnected during the program, you can simply call or log in using your original instructions and PIN.

Tips for Optimal Quality

Sound Quality

Call in on the telephone by dialing

1-866-873-1442 and enter your PIN when prompted, and view the presentation slides online.

If you have any difficulties during the call, press *0 for assistance. You may also send us a chat or e-mail sound@straffordpub.com so we can address the problem.

Viewing Quality

To maximize your screen, press the F11 key on your keyboard. To exit full screen, press the F11 key again.

Program Materials

If you have not printed or downloaded the conference materials for this program, please complete the following steps:

- Click on the ^ sign next to “Conference Materials” in the middle of the left-hand column on your screen.
- Click on the tab labeled “Handouts” that appears, and there you will see a PDF of the slides and the Official Record of Attendance for today's program.
- Double-click on the PDF and a separate page will open.
- Print the slides by clicking on the printer icon.

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Dec. 10, 2013

David A. Schlein, Lumsden & McCormick

dschlein@lumsdencpa.com

Outline

- Cost basis rules
- Purpose of Form 8949
- IRS enforcement and audit environment to date
- Preparation of Form 8949
 - Lessons learned in 2012 and 2013
- Difficult compliance issues related to Form 8949
- Impact of 3.8% Medicare Tax

COST BASIS RULES

Cost Basis Rules

- Determine gains and losses

(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see <i>Column (e)</i> in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
		(f) Code(s) from instructions	(g) Amount of adjustment	

Cost Basis Rules

- Covered vs. uncovered
 - Covered is a type of security purchased or acquired on or after its effective date
 - Uncovered are any security purchased or acquired before the effective dates

Cost Basis Rules

- Covered vs. uncovered
 - Effective dates are
 - Equity securities: January 1, 2011
 - Mutual Fund and DRIP Shares: January 1, 2012
 - Debt securities, options and all other: January 1, 2014

Cost Basis Rules

- Tax lot methods
 - Determines which lots of a security will be liquidated first in a given transaction
 - FIFO

Cost Basis Rules

- Adjustments
 - Form 1099-B basis is incorrect
 - Gain or loss

Cost Basis Rules

- Mutual Fund company responsibilities
 - Form 1099-B
 - Covered vs. Uncovered

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PURPOSE OF FORM 8949

Purpose of Form 8949

- Report sales and exchanges of capital assets
- IRS can reconcile amounts
- Individuals and partnerships

IRS ENFORCEMENT AND AUDIT ENVIRONMENT TO DATE

IRS enforcement and audit environment to date

- “Red flags”
 - Form 8949 cost basis does not match Form 1099-B
 - Total of separate Forms 8949 does not match Schedule D

IRS enforcement and audit environment to date

- Increase audit process efficiency
 - IRS can electronically match Form 8949 to Form 1099-B
- Focus is on individuals

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**PREPARATION OF FORM 8949
LESSONS LEARNED IN 2012
AND 2013**

Preparation of Form 8949

- Key computations
 - Cost basis
 - Adjustments to gain or loss
 - Gain or (loss)

Preparation of Form 8949

- Common errors
 - Missing mistakes on Form 1099-B
 - Miscalculating tax basis
 - Failing to report sales

Preparation of Form 8949

- Complete as many Forms 8949 as necessary
 - A separate form has to be filed for different cost basis
 - Basis was reported to the IRS
 - Basis was not reported to the IRS
 - Did not receive Form 1099-B

Preparation of Form 8949

- Lessons learned in 2012 and 2013
 - Corporations and Partnerships must use Form 8949
 - Can't completely rely on Form 1099-B
 - Form 1099-B is not required to have basis reported for
 - Stocks purchased before 2011
 - Mutual fund shares purchased before 2012
 - Bonds purchased before 2013

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DIFFICULT COMPLIANCE ISSUES RELATED TO FORM 8949

Difficult compliance issues related to Form 8949

- Mitigating or avoiding consequences
 - Make any necessary adjustments to basis
 - Keep accurate records of basis

Difficult compliance issues related to Form 8949

- Discrepancies with Form 1099-B
 - Cost basis is missing/incorrect
 - Did not receive a Form 1099-B

IMPACT OF 3.8% MEDICARE TAX

Impact of 3.8% Medicare Tax

- “Unearned” Net Investment Income
 - Income received from investment assets such as bonds, stocks, mutual funds, loans and other investments

Impact of 3.8% Medicare Tax

- Adjusted gross income over
 - \$200k for individuals or
 - \$250k for married couples

Impact of 3.8% Medicare Tax

- Excess of capital gain on sale of primary home
 - \$250k for individuals
 - \$500k for married couples

Impact of 3.8% Medicare Tax

- Other exemptions
 - Tax-exempt bonds
 - Active S-Corporation or Partnership income

CONCLUSION

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- *Accurate preparation*
- *Avoid compliance issues*
- *Medicare Tax changes*