



OFFICE OF
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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CC:ITA:05:
UIL No. 1001.00-01

Dear _____ :

Your letter of August 15, 2003, on behalf of your constituent, _____, has been referred to this Office for response. According to your letter and accompanying material, _____ maintains that the incorrect amount of proceeds was reported by the transfer agent to him (as well as the Service) on the sale of a certain fractional share of stock previously held in a dividend reinvestment plan. The essence of his complaint is that gross proceeds from that disposition, as opposed to net proceeds, were reported on the Form 1099-B information return.

Please note that the instructions for Form 1099-B allow for either gross proceeds or "gross proceeds less commissions and option premiums" to be reported as long as the amount is so designated. We enclose copies of the Form and Instructions for your reference.

A taxpayer may subtract only certain, limited selling costs from his amount realized from a sale and, thus, reduce his concomitant capital gain or increase his capital loss as applicable. The taxpayer would generally accomplish this by reflecting the "net" amount as the sale price on Form 1040, Schedule D, for the year of the sale. Other costs, however, do not affect the taxpayer's amount realized from a sale and must, instead, be reported as deductions. For most individuals, the cost would be a miscellaneous itemized deduction on Form 1040, Schedule A.

Please note that this is a general information letter and, as such, is not binding on the Service. If you have any questions, please contact _____ at _____

Sincerely,

JOHN ARAMBURU
Senior Counsel
Branch 5
Income Tax & Accounting Division

Enclosures: As stated