



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

OFFICE OF THE CHIEF COUNSEL

April 04, 2013

Number: **INFO 2013-0018**  
Release Date: 6/28/2013

CONEX-112931-13

UIL: 1001.15-05

Dear \_\_\_\_\_ :

I am responding to your inquiry to Congresswoman Marcy Kaptur about capital gains tax on a stock transaction. Congresswoman Kaptur wrote to us on your behalf and asked us to respond directly to you.

You said that you owned shares of stock in \_\_\_\_\_ until another company, \_\_\_\_\_, acquired it. As part of that acquisition, you received cash and \_\_\_\_\_ shares of stock \_\_\_\_\_ in exchange for shares of \_\_\_\_\_. You received Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, reporting both the amount of cash you received and the value of the \_\_\_\_\_ stock you received. You asked why you must include the value of the \_\_\_\_\_ shares in your income when you have not yet sold those shares.

In transactions such as the one you described, the law treats shareholders as having sold or otherwise transferred their stock. Although some companies structure many of these dispositions to be tax-free to the shareholders under certain provisions of the law, other companies have valid reasons why they would not structure a transaction as tax-free. Based on the facts you described, \_\_\_\_\_ and \_\_\_\_\_ apparently chose not to structure the transaction as tax-free to the shareholders.

In a taxable disposition of property, taxpayers must include gains derived from the sale in their income for federal income tax purposes. The taxable amount of gain is the amount by which the proceeds received from the disposition exceed the individual's tax basis in the property transferred. An individual's tax basis in stock is generally equal to the amount the individual paid for the stock. In the disposition of \_\_\_\_\_ shares, your disposition proceeds would equal the amount of cash, plus the fair market value of the \_\_\_\_\_ stock you received. Your tax basis most likely equals the amount you paid for the stock you transferred. Thus, your gain is equal to the total proceeds less your tax basis in the transferred stock immediately before its disposition.

If you believe that the Form 1099-B you received for this transaction is incorrect or that issued it in error, you should contact the company. If you report an amount on your return that is different than the amount reported to you on Form 1099-B, you should attach a statement to your tax return explaining the discrepancy.

I hope this information is helpful. If you have any questions, please contact , Identification Number , at .

Sincerely,

Andrew J. Keyso  
Associate Chief Counsel  
(Income Tax & Accounting)

CC: