

Global IRW Newsbrief

Information reporting and withholding (IRW)

May 9, 2012

IRS delays effective date for broker reporting rules related to debt instruments and options

The Emergency Economic Stabilization Act of 2008 (the "Act") imposed new broker reporting requirements under which a broker that is required to report the gross proceeds from the sale or other disposition of a "covered security" is also required to report the adjusted cost basis of the security and whether the character of the gain or loss is short or long-term. The definition of a covered security includes certain debt instruments and options acquired after January 1, 2013. On November 25, 2011, the Department of Treasury ("Treasury") and the Internal Revenue Service ("IRS") issued proposed regulations with a proposed effective date of January 1, 2013 titled "*Basis Reporting by Securities Brokers and Basis Determination for Debt Instruments and Options*" which describe the basis reporting requirements related to debt instruments and options. See Global IRS Newsbrief: [*Proposed regulations on basis reporting of debt instruments and options are issued*](#). On May 2, 2012, the IRS announced in [*Notice 2012-34*](#) that it will delay the proposed effective date for the new basis reporting rules for debt instruments and options from January 1, 2013 to January 1, 2014.

PwC Observation: *The IRS held a regulatory hearing on March 26, 2012 where it received multiple requests to delay the implementation date for these regulations. Delay was requested primarily because those required to report do not have enough time to implement and test the systems necessary to comply with the requirements.*

Under IRC Section 6045A, the proposed regulations require brokers to report certain information with respect to transfers of debt instruments and options that occur on



or after January 1, 2013. Likewise, issuers must provide the information required under IRC Section 6045B with respect to organizational actions occurring on or after January 1, 2013 that affect debt instruments or options. Both of these requirements have also been delayed until January 1, 2014. Additional information about the 6045A and 6045B requirements can be found in previous [Global IRW Newsbriefs](#).

PwC Observation: *The delay in implementing these requirements is a welcomed decision. Over the past few years there have been several new information reporting requirements (equity basis reporting, merchant card reporting etc.). Additionally over the coming five years many payors with responsibility for basis reporting will also be implementing the Foreign Account Tax Compliance Act (FATCA) and increasing U.S. bank deposit interest reporting to non-U.S. payees. The delay will allow for a more orderly implementation process.*

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