

local transfer taxes). If you sold a call option and it was exercised, you must also adjust the sales price of the property sold under the option for any option premiums (as instructed in *Gain or Loss From Options* in the instructions for Schedule D (Form 1040)).

You received a Form 1099-B or 1099-S (or substitute statement). If you received a Form 1099-B or 1099-S (or substitute statement) for a transaction, enter in column (d) the proceeds shown on the form or statement you received. If there are any selling expenses or option premiums that aren't reflected on the form or statement you received (by an adjustment to either the proceeds or basis shown), enter "E" in column (f) and the necessary adjustment in column (g). See the example under [Column \(g\)—Adjustments to Gain or \(Loss\)](#), later.

If the proceeds you received were more than shown on Form 1099-B or 1099-S (or substitute statement), enter the correct proceeds in column (d). This might happen if, for example, box 4 on Form 1099-S is checked.

You shouldn't have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the proceeds shown on Form 1099-B (or substitute statement) in both columns (d) and (e).

Column (e)—Cost or Other Basis

The basis of property you buy is usually its cost, including the purchase price and any costs of purchase, such as commissions. You may not be able to use the actual cost as the basis if you inherited the property, got it as a gift, or received it in a tax-free exchange or involuntary conversion or in connection with a "wash sale." If you don't use the actual cost, attach an explanation of your basis.

The basis of property acquired by gift is generally the basis of the property in the hands of the donor. The basis of inherited property is generally the fair market value at the date of death. See Pub. 551 for details.

If you sold property that you inherited from someone who died in 2010 and the executor made the election to file Form 8939, see Pub. 4895.

If you elected to recognize gain on property held on January 1, 2001, your basis in the property is its closing market price or fair market value, whichever applies, on the date of the deemed sale and reacquisition, whether the deemed sale resulted in a gain or an unallowed loss.

Schedule A to Form 8971—consistent basis reporting. If you received a Schedule A to Form 8971 from an executor of an estate or other person required to file an estate tax return and you are a beneficiary who receives (or is to receive) property from that estate, you will be required to report a basis consistent with the final estate tax value of the property if Part 2, column C of the Schedule A you received indicates that the property increased the estate tax liability of the decedent. In this case, first use an amount that is equal to or less than the final estate tax value listed in Part 2, column E of the Schedule A. This amount is your initial basis in the property. You then adjust your initial basis in the property—as described under [Adjustments to basis](#), later. The resulting amount is entered in column (e) of Form 8949.



If you received a supplemental Schedule A to Form 8971, use the most recently dated supplemental Schedule A to determine your initial basis.

Penalties for inconsistent basis reporting. If you use an initial basis that is more than the amount listed in Part 2, column E of the Schedule A to figure your basis in the property and Part 2, column C of the Schedule A indicates that the property increased the estate tax liability of the decedent, you may be subject to a penalty equal to 20% of any resulting underpayment of tax because the basis reported isn't consistent with the final estate tax value of the property.

For more details, see Pub. 551, Pub. 550, or the Instructions for Form 8971 and Schedule A available at [IRS.gov/Form8971](https://www.irs.gov/Form8971).

Adjustments to basis. Before you can figure any gain or (loss) on a sale, exchange, or other disposition of property, you usually must make certain adjustments (increases and decreases) to the basis of the property. Increase the basis of your property by capital improvements. Decrease it by depreciation, amortization, and depletion.

If you sold stock, adjust your basis by subtracting all the nondividend distributions you received before the sale. Also adjust your basis for any stock splits. See Pub. 550 for details. See [Form 1099-B](#) and [How To Complete Form 8949, Columns \(f\) and \(g\)](#), later, for the adjustment you must make if you received a Form 1099-B (or substitute statement) and the basis shown in box 1e is incorrect.

Increase the cost or other basis of a taxable original issue discount (OID) debt instrument by the amount of OID that you have included in gross income for that instrument. See Pub. 550 for details.

Increase the cost or other basis of a tax-exempt OID debt instrument by the amount of tax-exempt OID that accrued on the debt instrument while held by you. See Pub. 550 for details.

If you elect to currently include in income the market discount on a bond, increase the basis of the bond by the market discount that has been included in income for that bond. See Pub. 550 for details.

If you elect to amortize bond premium on a taxable bond, reduce the basis of the bond by any bond premium amortization allowed as either an offset to interest income or as a deduction for that bond. See Pub. 550 for details. Reduce the basis of a tax-exempt bond by any bond premium amortization for that bond. See Pub. 550 for details.

If a charitable contribution deduction is allowable because of a bargain sale of property to a charitable organization, you must allocate your basis in the property between the part sold and the part contributed based on the fair market value of each. See Pub. 544 for details.

For compensatory options granted after 2013, the basis information reported to you on Form 1099-B (or substitute statement) won't reflect any amount you included in income upon grant or exercise of the option. Increase your basis by any amount you included in income upon grant or exercise of the option. For compensatory options granted before 2014, any basis information reported to you on Form 1099-B (or substitute statement) may or may not reflect any amount you included in income upon grant or exercise of the option; therefore, the basis may need to be adjusted. If the basis information reported to you on Form 1099-B (or substitute statement) doesn't reflect an amount you included in income upon grant or exercise of the option, increase your basis by the amount you included in income upon grant or exercise of the option. See Pub. 525 for more information.

Average basis. You can use the average basis method to determine the basis of shares of stock if the shares are identical to each other, you acquired them at different prices and left them in an account with a custodian or agent, and either:

- They are shares in a mutual fund (or other regulated investment company);
 - They are shares you hold in connection with a dividend reinvestment plan (DRP), and all the shares you hold in connection with the DRP are treated as covered securities (defined below); or
 - You acquired them after 2011 in connection with a DRP.
- Shares are identical if they have the same CUSIP number, except that shares of