

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 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.

Solely for purposes of calculating a loss on the sale of the stock of a specified 10%-owned foreign corporation, if a corporate shareholder received an actual or constructive dividend after December 31, 2017, and that dividend qualified for the 100% dividends received deduction, the shareholder must reduce its basis in the controlled foreign corporation stock in the amount of the dividend received, but not below zero.

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 stock in a DRP aren't identical to shares of stock that aren't in a DRP, even if they have the same CUSIP number. (CUSIP numbers are security identification numbers.)

If you are using the average basis method and received a Form 1099-B (or substitute statement) that shows an incorrect basis, enter "B" in column (f), enter the basis shown on Form 1099-B (or substitute statement) in column (e), and see [How To Complete Form 8949, Columns \(f\) and \(g\)](#), later. For details on making the election and figuring average basis, see section 1012, Pub. 550, and Regulations section 1.1012-1(e).

Form 1099-B. If the property you sold was a covered security, its basis should be shown in box 1e of the Form 1099-B (or substitute statement) you received from your broker. Generally, a covered security is any of the following.

- Stock you acquired after 2010 (generally after 2011 if in a mutual fund or other regulated investment company, or acquired through a dividend reinvestment plan).
- Certain stock held in a mutual fund or in connection with a dividend reinvestment plan for which a single-account election is in effect.
- Certain debt instruments you acquired after 2013.
- Certain options, warrants, and stock rights you granted or acquired after 2013.

- A securities future contract you entered into after 2013.
- Variable rate debt instruments acquired after 2015.
- Inflation-indexed debt instruments acquired after 2015.
- Contingent payment debt instruments acquired after 2015.
- Convertible debt instruments acquired after 2015.
- Options on debt instruments with payments denominated in (or determined by reference to) a currency other than the U.S. dollar and granted or acquired after 2015.
- Options issued as part of investment units and granted or acquired after 2015.

For more information on covered securities, see section 6045(g) and Regulations section 1.6045-1.

If box 5 on Form 1099-B is checked, the property sold wasn't a covered security.

Enter the basis shown on Form 1099-B (or substitute statement) in column (e). If the basis shown on Form 1099-B (or substitute statement) isn't correct, see [How To Complete Form 8949, Columns \(f\) and \(g\)](#), later, for the adjustment you must make.

Enter the correct basis of the property in column (e) if:

- No basis is shown on Form 1099-B (or substitute statement), or
- The basis shown wasn't reported to the IRS.

Column (f)—Code

In order to explain any adjustment to gain or (loss) in column (g), enter the appropriate code(s) in column (f). See [How To Complete Form 8949, Columns \(f\) and \(g\)](#), later. If more than one code applies, enter all the codes that apply in alphabetical order (for example, "BOQ"). Don't separate the codes by a space or comma.

Column (g)—Adjustments to Gain or (Loss)

Enter in this column any necessary adjustments to gain or (loss). Enter negative amounts in parentheses. Also enter a code in column (f) to explain the adjustment. See [How To Complete Form 8949, Columns \(f\) and \(g\)](#), later.

More than one code. If you entered more than one code in column (f) on the same row, enter the net adjustment in column (g). For example, if one adjustment is \$5,000 and another is (\$1,000), enter \$4,000 (\$5,000 – \$1,000).

Example. You sold your main home in 2018 for \$320,000 and received a Form 1099-S showing the \$320,000 gross proceeds. The home's basis was \$100,000. You had selling expenses of