

# Tax Tracking and Reporting Tools in Investment Account Manager

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## Tax Tracking And Reporting Tools in Investment Account Manager

- Topics :
  - Importance of accurate records
  - What determines cost basis
  - Lot-by-lot accounting
  - What determines holding period
  - Tax reports
  - Effective tax decisions

## Importance of accurate records

### IRS finds many taxpayers do not properly report their capital gains and losses

- In past GAO reports to Congress, GAO found that 38% of taxpayers misreported capital gains and losses:
  - 2/3rds under reported gains
  - 1/3 over reported gains
- Main reasons for errors:
  - lack of accurate record keeping
  - due to miscalculation of adjusted cost basis

## What determines a security's cost basis?

Common determinants of cost basis:

- Amount paid of each purchase of the security
- Any dividends reinvested into the security
- Any non-taxable distributions (i.e., return of capital)
- Any stock splits, spin-offs or mergers
- Any sales
- Any transfers
- As the result of inheritance

## What then is a Capital Gain?

According to the IRS...

“Almost everything you own and use for personal or investment purposes is a capital asset. Examples include a home, personal-use items like household furnishings, and stocks or bonds held as investments. When you sell a capital asset, the difference between the adjusted basis in the asset and the amount you realized from the sale is a capital gain or a capital.”

([www.irs.gov/taxtopics/tc409oss](http://www.irs.gov/taxtopics/tc409oss))

## What Determines Short –Term or Long-Term?

Again, we turn to the experts at IRS...

“To correctly arrive at your net capital gain or loss, capital gains and losses are classified as long-term or short-term. Generally, if you hold the asset for more than one year before you dispose of it, your capital gain or loss is long-term. If you hold it one year or less, your capital gain or loss is short-term. To determine how long you held the asset, you generally count from the day after the day you acquired the asset up to and including the day you disposed of the asset.”

([www.irs.gov/taxtopics/tc409oss](http://www.irs.gov/taxtopics/tc409oss))

## Why is holding period important to investors?

Why is knowing the holding period so important to investors?

- Capital gains tax rates are lower for long-term gains than they are for short-term gains:
  - The current Federal LTCG rate is usually 15%
    - (0% - 20%)
  - STCG are taxed at regular income
  - typically higher than LTCG rates

## Lot-by-lot accounting security cost basis

- Investment Account Manager tracks each unique lot, accounting for any security activity to derive IRS accurate cost basis:
  - multiple purchases on different occasions
  - dividends reinvested
  - stock splits, spinoffs, mergers
  - partial sales of stock position
  - partial gifting of shares to a charity
  - other cost basis adjusting activity



# Lot-by-lot accounting security cost basis

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## Security Basis - Tax Lots for Aflac IAM Demo Portfolio 3

12/19/18

Type/Security	Symbol	Acquisition Date	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Unrealized Gain/Loss	% G/L	Annl. % G/L	Years Held
Aflac	AFL	08/15/05	250.00000	21.118	5,279.58	43.540	10,885.00	5,605.42	106.17	5.6	13.35
Aflac	AFL	02/15/06*	0.82020	23.775	19.50	43.540	35.71	16.21	83.13	4.8	12.85
Aflac	AFL	05/17/06*	0.83320	23.464	19.55	43.540	36.28	16.73	85.58	5.0	12.60
Aflac	AFL	08/23/06*	0.90880	21.578	19.61	43.540	39.57	19.96	101.78	5.9	12.33
Aflac	AFL	11/15/06*	1.09260	22.149	24.20	43.540	47.57	23.37	96.57	5.7	12.10
Aflac	AFL	02/14/07*	1.16820	24.037	28.08	43.540	50.86	22.78	81.13	5.1	11.85
Aflac	AFL	08/15/07*	1.09540	28.528	31.25	43.540	47.69	16.44	52.61	3.8	11.35
Aflac	AFL	11/14/07*	1.03200	30.388	31.36	43.540	44.93	13.57	43.27	3.3	11.10
Aflac	AFL	02/15/08*	1.16600	31.595	36.84	43.540	50.77	13.93	37.81	3.0	10.85
Aflac	AFL	05/19/08*	1.11760	33.080	36.97	43.540	48.66	11.69	31.62	2.6	10.59
Aflac	AFL	08/18/08*	1.26320	29.378	37.11	43.540	55.00	17.89	48.21	3.9	10.34
Aflac	AFL	05/18/09	0.27800	17.122	4.76	43.540	12.10	7.34	154.20	10.2	9.59
Aflac	AFL	08/17/09*	3.08200	20.931	64.51	43.540	134.19	69.68	108.01	8.2	9.35
Aflac	AFL	11/16/09*	2.99400	21.690	64.94	43.540	130.36	65.42	100.74	8.0	9.10
Aflac	AFL	02/11/10*	2.77200	23.579	65.36	43.540	120.69	55.33	84.65	7.2	8.86
Aflac	AFL	05/17/10*	3.03000	21.700	65.75	43.540	131.93	66.18	100.65	8.4	8.60
Aflac	AFL	08/16/10*	3.14300	23.729	74.58	43.540	136.85	62.27	83.49	7.5	8.35
Aflac	AFL	11/15/10*	2.62600	27.190	71.40	43.540	114.34	42.94	60.14	6.0	8.10
Aflac	AFL	02/11/11*	2.43800	29.434	71.76	43.540	106.15	34.39	47.92	5.1	7.86
Aflac	AFL	05/16/11*	2.95400	24.418	72.13	43.540	128.62	56.49	78.32	7.9	7.60
Aflac	AFL	08/15/11*	4.19360	17.305	72.57	43.540	182.59	110.02	151.61	13.4	7.35
Aflac	AFL	11/14/11*	3.83600	20.991	80.52	43.540	167.02	86.50	107.43	10.8	7.10
Aflac	AFL	02/13/12*	3.36800	24.005	80.85	43.540	146.64	65.79	81.37	9.1	6.85
Aflac	AFL	06/19/12*	4.14600	19.387	80.38	43.540	180.52	100.14	124.58	13.2	6.50
Aflac	AFL	08/13/12*	3.54200	23.066	81.70	43.540	154.22	72.52	88.76	10.5	6.35
Aflac	AFL	11/09/12*	3.30600	26.573	87.85	43.540	143.94	56.09	63.85	8.4	6.11
Aflac	AFL	02/13/13*	3.57600	24.771	88.58	43.540	155.70	67.12	75.77	10.1	5.85
Aflac	AFL	08/19/13*	2.09300	30.081	62.96	43.540	91.13	28.17	44.74	7.2	5.34
Aflac	AFL	11/18/13*	2.01000	33.308	66.95	43.540	87.52	20.57	30.72	5.4	5.09
Aflac	AFL	02/12/14*	2.16100	31.152	67.32	43.540	94.00	26.77	39.77	7.1	4.85

# Lot-by-lot accounting security cost basis

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**Security Basis - Tax Lots for Aflac**  
IAM Demo Portfolio 3

12/19/18

Type/Security	Symbol	Acquisition Date	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Unrealized Gain/Loss	% G/L	Annl. % G/L	Years Held
Aflac	AFL	05/18/15*	2.36200	30.982	73.18	43.540	102.84	29.66	40.53	9.9	3.59
Aflac	AFL	08/17/15*	2.49800	29.424	Text Object	43.540	108.76	35.26	47.97	12.4	3.34
Aflac	AFL	11/16/15*	2.37400	32.831	77.94	43.540	103.36	25.42	32.61	9.5	3.09
Aflac	AFL	02/11/16*	2.74400	28.655	78.63	43.540	119.47	40.84	51.94	15.8	2.85
Aflac	AFL	05/16/16*	2.30740	34.229	78.98	43.540	100.46	21.48	27.20	9.7	2.59
Aflac	AFL	08/22/16*	2.17140	36.442	79.13	43.540	94.54	15.41	19.47	7.9	2.33
Aflac	AFL	11/14/16*	2.30860	36.134	83.42	43.540	100.52	17.10	20.50	9.3	2.10
Aflac	AFL	02/13/17*	2.37460	35.492	84.28	43.540	103.39	19.11	22.67	11.7	1.85
Aflac	AFL	05/22/17*	2.29340	36.936	84.71	43.540	99.85	15.14	17.87	11.0	1.58
Aflac	AFL	08/21/17*	2.12800	40.089	85.31	43.540	92.65	7.34	8.60	6.4	1.33
Aflac	AFL	11/14/17*	2.13000	42.136	89.75	43.540	92.74	2.99	3.33	3.0	1.10
Aflac	AFL	05/22/18*	2.01500	45.290	91.26	43.540	87.73	-3.53	-3.87	-6.6	0.58
Aflac	AFL	08/21/18*	1.95600	46.927	91.79	43.540	85.16	-6.63	-7.22	-20.2	0.33
Aflac	AFL	11/20/18*	2.07800	44.293	92.04	43.540	90.48	-1.56	-1.69	-18.8	0.08
Total			357.07180	23.339	8,333.74	43.540	15,546.89	7,213.15	86.55		11.10

dollar cost averaging



## Sale application methods provided by Investment Account Manager...

- Lot-by-lot accounting enables you to consider the tax consequences of selling partial positions.
- The goal is to defer the capital gain tax as long as possible, so the money can continue to grow for you
- Investment Account Manager helps you tax-plan by lot assignments...
  - FIFO (First In, First Out); Specific ID;
  - Minimum or Maximum gain
  - Average Cost Methods for mutual funds μ both single and double category methods

## Select from several sales methods to minimize or maximize realized gains ...

Multiple lots listed for easy review and sale method. Lots can be sorted by holding period and/or unit cost

**Sale Transaction - Specify Sale Method**

Trade Date: 12/19/2018      Sale Price: 43.500  
 Security Symbol: AFL      Net Sale Amount: 2,175.00  
 Security Description: Aflac

Quantity Sold: 50.00000      Sort by Holding Period: Long to Short  
 Quantity Left to Apply: 50.00000      Sort by Unit Cost: Lower to Higher

Date Acquired	Holding Period	Unit Cost	Quantity Held	Quantity Applied	Realized Gain or Loss	Remaining Cost
05/18/2009	Long Term	17.122	0.27800	0.00000	0.00	4.76
08/15/2011	Long Term	17.305	4.19360	0.00000	0.00	72.57
06/19/2012	Long Term	19.387	4.14600	0.00000	0.00	80.38
08/17/2009	Long Term	20.931	3.08200	0.00000	0.00	64.51
11/14/2011	Long Term	20.991	3.83600	0.00000	0.00	80.52
<b>Total</b>			357.07180	0.00000	0.00	8,333.74

Minimum Gain     First-In First-Out     Specific ID  
 Maximum Gain     Last-in First-Out

Deposit to: Money Market Account    Account Balance: Portfolio Cash | \$45,433.18  
 Settlement Date: 12/21/2018

Help    Cancel

# Tax Planning Reports

- **Income Received:** The Income Received Report tracks the investment income and capital gain distributions received by securities in your portfolio. Users can customize the information listed on this for reporting period, portfolios to include, asset types to include, and filtering activity by portfolio or individual asset. The report segregates securities according to type, and provides totals based on the range selected for the report.

Ideal for tax filing!  
All the information need by you  
or your CPA.

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**Income / Dividend Received**  
IAM Demo Portfolio 3  
Date Range - 01/01/2018 Thru 12/19/2018

12/19/18

Type/Security	Taxable		Nontaxable		Gain Distributions		Other Income	Total
	Interest	Dividends	Interest	Dividends	Short-Term	Long-Term		
<b>Exchange Traded Funds</b>								
DH		Ishares MidCap Idx		717.00				717.00
IR		Ishares SmallCap Idx		618.40				618.40
VWO		Vanquard FTSE		670.88				670.88
		<b>Total Exchange Traded Fund</b>		<u>2,006.28</u>				<u>2,006.28</u>
<b>Mutual Funds</b>								
DODGX		Dodqe & Cox Stock		941.68				941.68
LSBRX		Loomis Sayles Bond		476.98				476.98
VFISX		Vanguard ST Trsy		185.96				185.96
VWELX		Vanquard Wellington		519.03				519.03
		<b>Total Mutual Funds</b>		<u>2,123.65</u>				<u>2,123.65</u>
<b>Common Stocks</b>								
AFL		Aflac		275.09				275.09
CBU		Community Bank		265.00				265.00
XOM		Exxon		542.31				542.31
GE		General Electric		208.10				208.10
TGT		Target		756.00				756.00
WBA		Walqreen Boots		504.00				504.00
		<b>Total Common Stocks</b>		<u>2,550.50</u>				<u>2,550.50</u>
		<b>Totals</b>		<u><u>6,680.43</u></u>				<u><u>6,680.43</u></u>

# Tax Planning Reports

- **Sold Securities:** The Sold Securities Report compiles important information regarding the sales of securities for a given portfolio. Users can customize the information listed on this report for reporting period, portfolios to include, asset types to include, and filtering activity by portfolio or individual asset. Sales activity is separated based on Short Term Activity or Long Term Activity.

Ideal for tax filing!  
All the information need by you  
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**Sold Securities**  
IAM Demo Portfolio 3  
Date Range - 01/01/2018 Thru 12/19/2018

12/19/18

Security	Symbol	Purchase Date	Sale Date	Years Held	Quantity	Unit Cost	Total Cost	Unit Price	Sale Proceeds	Realized Gain/Loss
<b>Short Term Activity:</b>										
Facebook	FB	02/28/18	06/20/18	0.307	10.00000	150.000	1,500.00	203.100	2,031.00	531.00
<b>Total Short Term Activit</b>							1,500.00		2,031.00	531.00
<b>Long Term Activity:</b>										
Aflac	AFL	11/17/08	01/02/18	9.132	1.46100	33.710	49.25	87.604	127.99	78.74
Aflac	AFL	02/13/09	01/02/18	8.890	21.81000	2.654	57.88	87.602	1,910.60	1,852.72
Aflac	AFL	05/18/09	01/02/18	8.633	1.72900	34.251	59.22	87.600	151.46	92.24
Subtotal for 3 positions					25.00000		166.35		2,190.05	2,023.70
General Electric	GE	02/25/14	01/02/18	3.855	50.00000	25.300	1,265.00	17.701	885.05	-379.95
<b>Total Long Term Activity</b>							1,431.35		3,075.10	1,643.75
<b>Total Net Activity</b>							2,931.35		5,106.10	2,174.75



## Putting it all together for more effective tax decisions

### Organized accurate record keeping:

- allows you to effectively manage the tax implications of your investment decisions in both taxable and non-taxable accounts;
- with lot-by-lot purchase detail, investors can not take advantage of several IRS approved methods to reduce capital gain taxes.
- optimize gift and estate planning strategies.
- weeding and feeding your investment portfolio for long term successful results!

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