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Internal Revenue Code Section 1012

Basis of property-cost

(a) In general.

The basis of property shall be the cost of such property, except as otherwise provided in this subchapter and subchapters C (relating to corporate distributions and adjustments), K (relating to partners and partnerships), and P (relating to capital gains and losses).

(b) Special rule for apportioned real estate taxes.

The cost of real property shall not include any amount in respect of real property taxes which are treated under section 164(d) as imposed on the taxpayer.

(c) Determinations by account.

(1) In general.

In the case of the sale, exchange, or other disposition of a specified security on or after the applicable date, the conventions prescribed by regulations under this section shall be applied on an account by account basis.

(2) Application to certain regulated investment companies.

(A) In general. Except as provided in subparagraph (B), any stock for which an average basis method is permissible under this section which is acquired before January 1, 2012, shall be treated as a separate account from any such stock acquired on or after such date.

(B) Election for treatment as single account. If a regulated investment company described in subparagraph (A) elects to have this subparagraph apply with respect to one or more of its stock holders-

(i) subparagraph (A) shall not apply with respect to any stock in such regulated investment company held by such stockholders, and

(ii) all stock in such regulated investment company which is held by such stockholders shall be treated as covered securities described in section 6045(g)(3) without regard to the date of the acquisition of such stock.

A rule similar to the rule of the preceding sentence shall apply with respect to a broker holding such stock as a nominee.

(3) Definitions.

For purposes of this section, the terms "specified security" and "applicable date" shall have the meaning given such terms in section 6045(g).

(d) Average basis for stock acquired pursuant to a dividend reinvestment plan.

(1) In general.

In the case of any stock acquired after December 31, 2011, in connection with a dividend reinvestment plan, the basis of such stock while held as part of such plan shall be determined using one of the methods which may be used for determining the basis of stock in a regulated investment company.

(2) Treatment after transfer.

In the case of the transfer to another account of stock to which paragraph (1) applies, such stock shall have a cost basis in such other account equal to its basis in the dividend reinvestment plan immediately before such transfer (properly adjusted for any fees or other charges taken into account in connection with such transfer).

(3) Separate accounts; election for treatment as single account.

(A) In general. Rules similar to the rules of subsection (c)(2) shall apply for purposes of this subsection .

(B) Average basis method. Notwithstanding paragraph (1) , in the case of an election under rules similar to the rules of subsection (c)(2)(B) with respect to stock held in connection with a dividend reinvestment plan, the average basis method is permissible with respect to all such stock without regard to the date of the acquisition of such stock.