When you sell shares of stock, you need to report any gains or losses when you file your taxes. Sell the stock for more than you paid for it and you’ll recognize a gain. Sell it for less and it’s considered a loss. But how much of that gain or loss you report depends on your cost basis. If not reported correctly, you could end up paying too much in taxes.

**What is cost basis, and why is it important?**

It’s a key component of the equation used to calculate your reportable gain or loss on the sale of stock:

\[
\text{Sale Price} - \text{Cost Basis} = \text{Reportable Gain or Loss}
\]

For regular stock bought on the open market, the cost basis is simply the purchase price. With stock plans, adjustments may be needed to determine the correct cost basis amount.

**How does cost basis work for stock plans?**

At the time of purchase or vesting, your employer reports the value of your shares as ordinary income on your W-2. This means you’ve already paid taxes on the value of these shares. When you sell your stock, your cost basis should be adjusted so you don’t pay taxes on this amount again.

**Where can I find my cost basis?**

During tax season, Fidelity will issue two forms you will need with cost basis information: **Form 1099-B** and a **Supplemental Information Form**.

- The cost basis reported on Form 1099-B reflects the purchase price only and doesn’t account for income reported by your employer, due to IRS regulations.
- The Supplemental Information Form will show an adjusted cost basis that accounts for the income reported by your employer.
Remember that it’s important to wait until you have all your tax forms before you file your taxes. During the tax season, you can view your Fidelity tax form schedule to see what forms you’ll receive and when, so you know you have everything you need.

How do I report my correct cost basis on my tax return?

Once you have all your necessary forms and have determined the correct cost basis amount, you’re ready to calculate your reportable gain or loss using Form 8949 and Schedule D.

For more information about tax forms and tax reporting requirements for your stock plan, refer to Fidelity’s tax guides.