Cost basis regulations and you

A guide to help you understand the IRS reporting requirements

Introduction

The Emergency Economic Stabilization Act of 2008 contained new requirements for brokerage firms and mutual fund companies regarding customer statements and Internal Revenue Service (IRS) reporting. Specifically, brokers like Fidelity are now required to report adjusted basis (often referred to as "cost basis") for "covered securities" on the IRS Form 1099-B part of the Fidelity consolidated tax reporting statement, if applicable, and to indicate whether the holding periods of disposed securities were short or long term in nature.

The objective of these requirements is to help ensure that investors accurately report gains and losses of securities in their annual tax filings. While Fidelity bears the responsibility of compliance with these new reporting regulations, these requirements may also have meaningful implications for how you handle your tax reporting.

These requirements apply to holdings that are identified by the IRS as covered securities. They are being phased in over a four-year period which began on January 1, 2011. The implementation schedule below identifies which securities are covered and when.

2011	2012	2014 and beyond
Stock in a corporation purchased on or after January 1, 2011	Securities eligible for average cost (mutual fund and DRIP), purchased on or after January 1, 2012	Options, fixed income, and other securities as determined by the IRS, purchased on or after January 1, 2014

Your tax reporting obligations

It is important to note that your tax reporting obligations have not changed. The expanded reporting requirements imposed on broker-dealers and mutual fund companies do not mitigate your responsibility to accurately report capital gains and losses in their annual tax filings. Taxpayers must continue to complete Schedule D and accurately report cost basis for short-term and long-term capital gains and losses.

There may be instances when the information you report to the IRS will differ from the information reported by Fidelity. The information that Fidelity reports to the IRS will be based on our knowledge of transactions occurring in a specific account. On the other hand, taxpayers are responsible for reporting realized gains and losses based on their overall financial situation.

What is reported

Fidelity is now required to report the following to the IRS when a covered security is sold:

- Adjusted cost basis
- Holding period (long-term or short-term)
- Wash sale information

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Form 1099-B, Proceeds from Broker and Barter Exchange Transactions, in the Fidelity consolidated tax reporting statement now reports cost basis information for covered and most noncovered securities. In addition, please see the supplemental realized gain/loss sections of the tax statement for additional cost basis information concerning disposal of certain securities, including fixed income securities with an adjusted basis, options, and securities purchased or sold in a foreign currency. Please note that Fidelity will not report cost basis information for noncovered securities to the IRS.

Here's a sample of what IRS Form 1099-B will look like for tax year 2012:

1. Specific pages for holding period and reported or not reported*
2. Date of sale or exchange
3. Date security was acquired
4. Quantity sold
5. Cost basis of sold or exchanged shares
6. Gain or loss on the instruments
7. Wash sale loss disallowed
8. Subtotals by position as well as by holding period and reportability

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2012 TAX REPORTING STATEMENT

John Q Public | Account No: 123-456789 | Recipient's ID No: ***- **- 6789 | Customer Service: 888-888-8888 | Payer's Fed ID Number: 04-3523567

FORM 1099-B* 2012 Proceeds from Broker and Barter Exchange Transactions Copy B for Recipient OMB No. 1545-0715

Short-term transactions for which basis is reported to the IRS--report on Form 8949 with Box A checked and/or Schedule D, Part I (i)
(This Label is a Substitute for Boxes **1c** & **6**)

(IRS Form 1099-B box number ... own below ... ype)

8 De... 1d Stock ... Symbol, C...

Action	**1a** Date of Sale or Exchange	**1b** Date of Acquisition	**1e** Quantity Sold	**2a** Sales Price of Stocks, Bonds, etc. (a)	**3** Cost or Other Basis (b)	Gain/Loss (-)	**5** Wash Sale Loss Disallowed	**4 Federal Income Tax Withheld**	**13** State	**15** State Tax Withheld
COACH INC, COH, 189754104										
Sale	03/15/2012	02/12/2012	153.259	30,452.25	28,452.25 (k)	2,000.00				
				2b - Loss based on above amount in **2a** is not allowed						
Sale	03/15/2012	03/12/2012	22.223	6,258.29	6250.25 (e)	8.04				
Subtotals				**36,710.54**	**34,702.50**					
FIDELITY ASSET MANAGER 20%, FASIX, 316069400										
Sale	03/13/2012	Various	200.000	2,125.23	2,000.00	125.23				
UNITED STATES TREAS NTS 4.25000% 11/15/2014, 912828DC1										
Sale	03/15/2012	02/12/2012	153.259	30,452.25	28,452.25	2,000.00				
Sale	04/15/2012	03/12/2012	22.223	6,258.29	6,250.25	8.04		**60.00**	CA	5.00
Subtotals				**36,710.54**	**34,702.50**					
ZHONGPIN INC COM, HOGS, 98952K107										
Sale	05/05/2012	04/13/2012	43.225	147.83	153.44 (f)	-5.61	2.23			
TOTALS				**75,694.14**	**71,558.44**			**60.00**		
			Box A Short-Term Realized Gain			**4,141.31**				
			Box A Short-Term Realized Loss			**-5.61**				
			Box A Wash Sale Loss Disallowed				**2.23**			

***This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty** or **other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.**

Date and Envelope Number

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FORM 1099-B* 2012 Proceeds from Broker and Barter Exchange Transactions Copy B for Recipient OMB No. 1545-0715

Short-term transactions for which basis is not reported to the IRS--report on Form 8949 with Box B checked and/or Schedule D, Part I (i)

FORM 1099-B* 2012 Proceeds from Broker and Barter Exchange Transactions Copy B for Recipient OMB No. 1545-0715

Long-term transactions for which basis is reported to the IRS--report on Form 8949 with Box A checked and/or Schedule D, Part II (i)

FORM 1099-B* 2012 Proceeds from Broker and Barter Exchange Transactions Copy B for Recipient OMB No. 1545-0715

Long-term transactions for which basis is not reported to the IRS--report on Form 8949 with Box B checked and/or Schedule D, Part II (i)

FORM 1099-B* 2012 Proceeds from Broker and Barter Exchange Transactions Copy B for Recipient OMB No. 1545-0715

Transactions for which basis is not reported to the IRS and the term is unknown; report on Form 8949.

*The example shows a form dedicated to short-term transactions for which basis is reported to the IRS. There are additional pages that cover sales or exchanges that are: short-term for which basis is not reported; long-term for which basis is reported; long-term for which basis is not reported; and transactions for which basis is not reported and the term is unknown.

Default disposal methods

When only a portion of a position is sold, the tax information that Fidelity reports to the IRS may depend on which underlying "tax lots" are actually sold. For example, you may accumulate a position in a particular security over time, buying smaller quantities at a variety of different prices. A tax lot is a record of the amount, price, and date of each of these purchases. If you were to sell some of that position, the tax implications—the capital gain, holding period, and tax rate—may depend on which of those lots are sold. Unless you specify otherwise, Fidelity's default cost basis methods are as follows:

Securities	First In First Out (FIFO). Securities are sold in the order in which they were acquired. That is, the first securities bought are the first ones to be sold.
Mutual Funds	Average Cost. Like FIFO, Average Cost assumes that the oldest lots are sold first. However, the cost basis will be the same for all noncovered shares.

Alternatively, account owners or their investment advisors can instruct Fidelity to determine the cost basis for securities, including shares of open-end mutual funds in nonretirement accounts, in one of two ways: 1) setting up their accounts with one of our 11 tax lot disposal methods available to investors and converting cost basis for mutual funds from average cost to lot-level accounting, or 2) identifying specific tax lots to sell at the time of a transaction (available to clients who have previously converted from the average cost method to a lot-level method).

Fidelity alternative disposal methods

In addition to the Fidelity defaults of first in, first out (FIFO) for securities and average cost for open-end mutual funds, we offer the following disposal methods for client accounts:

- Highest Cost
- Highest Cost Long-Term
- Highest Cost Short-Term
- Intraday First In, First Out
- Last In, First Out
- Lowest Cost
- Lowest Cost Long-Term
- Lowest Cost Short-Term
- Short-Term Tax Sensitive
- Tax Sensitive

To change your default disposal method, contact a Fidelity Representative at **1-800-544-6666**. To learn more about these disposal methods, go to *Update Accounts/Features > Cost Basis Information Tracking > Learn More About Cost Basis.*

Mutual fund bifurcation

For those accounts in which Average Cost is the disposal method for mutual funds, Fidelity is required to track and report holdings of noncovered and covered shares separately. That is, Fidelity will display separate average cost calculations for fund shares bought before and after January 1, 2012.

Cost basis for covered subposition will be reported to the IRS

Cost basis for noncovered subposition will not be reported to the IRS

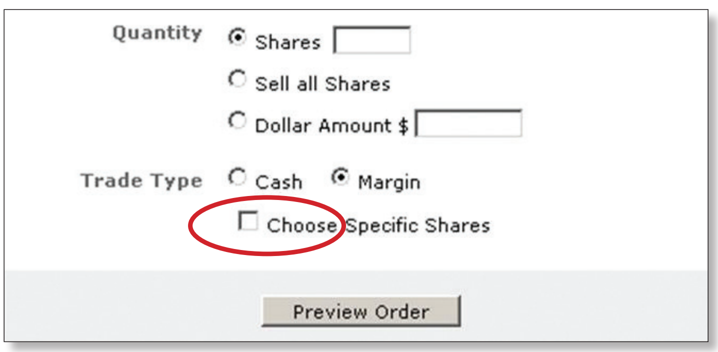
			Most Recent			Change Since Close		Change Since Purchase		Cost Basis		
Symbol ▲	Description	Quantity	Price	Change	Value	Dollar	Percent	Dollar	Percent	Per Share	Total	Action
FCASH **	Cash	100.360	$1.00	$0.00	$100.36	n/a	n/a	Not Applicable				
FBALX	FIDELITY BALANCED	14.489	$19.88	$0.01	$288.04	$0.14	0.05%	$25.32	9.64%	$18.13	$262.72a	▼
	Reported	**1.885**	**$19.88**	**$0.01**	**$37.47**	**$0.00**	**0.00%**	**+$0.69**	**+1.88%**	**$19.51**	**$36.78**	
Term Short	**Acquired** 10/12/2012	0.063	$19.88	$0.01	$1.25	$0.00	0.00%	+$0.02	+1.82%	$19.51	$1.23	
Short	07/06/2012	0.960	$19.88	$0.01	$19.08	$0.00	0.00%	+$0.35	+1.89%	$19.51	$18.73	
Short	04/04/2012	0.862	$19.88	$0.01	$17.13	$0.00	0.00%	+$0.32	+1.88%	$19.51	$16.82	
	Unreported	**12.604**	**$19.88**	**$0.01**	**$250.56**	**$0.11**	**0.05%**	**+$24.63**	**+10.90%**	**$17.93**	**$225.94**	
Long	**Acquired** 12/16/2011	2.457	$19.88	$0.01	$48.84	$0.02	0.05%	+$4.81	+10.91%	$17.93	W $44.04	
Long	07/08/2011	4.176	$19.88	$0.01	$83.01	$0.04	0.05%	+$8.16	+10.90%	$17.93	$74.86	
Long	04/06/2011	2.493	$19.88	$0.01	$49.56	$0.02	0.05%	+$4.87	+10.90%	$17.93	$44.69	
Long	02/07/2011	3.478	$19.88	$0.01	$69.14	$0.03	0.05%	+$6.79	+10.89%	$17.93	$62.35	
FIGRX	FIDELITY INT'L DISCOVERY	2.427	$31.71	$0.03	$76.96	$0.07	0.09%	Unknown	Unknown	$0.00	Enter Cost	▼
OAKBX	OAKMARK EQUITY & INCOME FD I	1.727	$28.86	-$0.04	$49.84	-$0.07	-0.14%	$9.83	24.57%	$23.17	$40.01a	▼

For illustrative purposes only.

When using the Average Cost method, gains or losses are defined as short term or long term based on the assumption that the oldest shares are sold first, even though the average cost is the same for all shares. Cost basis for covered lots is reported to the IRS; cost basis for noncovered lots will not be reported to the IRS.

Specify shares

Regardless of which default disposal method you choose, you also have the option to override your default when you place your order to sell by clicking the "Choose Specific Shares" checkbox on your order ticket.



For illustrative purposes only.

You may also override your default disposal logic at any point until a trade settles, by contacting Fidelity at 1-800-544-6666.

Other provisions of the rules

- **Wash sales.** A wash sale occurs if you sell shares at a loss and buy additional shares (even in another account) of the same or a substantially identical security within 61 days of the sale: the day of the sale, the 30 days before the sale, and the 30 days after the sale. The wash sale rule is intended to prevent an investor from obtaining the benefit of a tax loss without materially reducing economic exposure to the investment.
- **Tax mailings.** Effective January 2009, we now mail (1099) consolidated tax statements by February 15, instead of the previous January 31 deadline. The cost basis regulations extended this deadline.
- **Transfers between accounts**. When shares are transferred, adjusted cost basis and holding period will accompany the transfer instructions for covered securities.
- **Retirement accounts.** Cost information for retirement accounts will not be reported to the IRS. Fidelity provides cost information for positions in retirement accounts as a courtesy to help customers estimate and track the change in market value of each position. This information is not to be used for tax reporting purposes.
- **Corporate accounts.** Cost information for S-corp accounts is now reported to the IRS. This includes gross proceeds for sales of all securities, as well as cost basis reporting for sales of covered securities.
- **Gifted or inherited securities.** For gifted or inherited securities, the original acquisition date determines whether it is covered or noncovered. If the original acquisition date (not the date of the gift or inheritance) for a security is after the effective dates, they will be considered covered. If the original acquisition date for a security is before the effective dates, they will be noncovered.
- **Short sales.** For short sales opened in 2011 and later, Fidelity reports short sales on Form 1099-B in the year the position is closed instead of in the year the sale is made.

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