



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

CHIEF COUNSEL

June 17, 2002

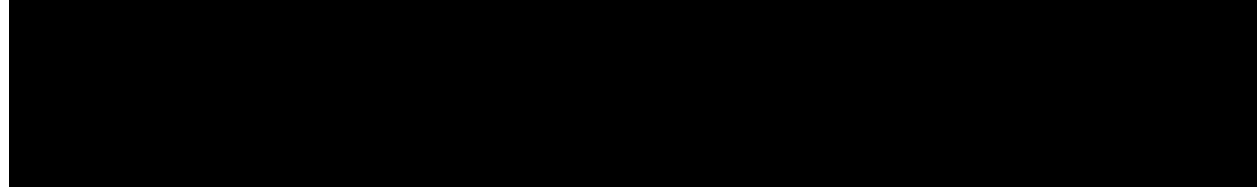
Number: **INFO 2002-0120**

Release Date: 9/30/2002

CC:PA:APJP:1

Index (UIL) No.: 6045.08-00

CONEX-128436-02



Dear [REDACTED]:

This is in response to your letter dated February 26, 2002 (copy enclosed for your convenience). We are providing the following general information with regard to the issues you raise.

You state, with respect to "short" sales of stock, that information returns on Form 1099-B should reflect the closing of the overall transaction, not simply the gross proceeds from the sales. Current law would likely permit this type of change in the applicable regulations, at least under certain circumstances. The regulations relating to Form 1099-B, however, are largely geared to reporting of gross proceeds. Widening the scope of reporting in the manner you describe would appear to expand significantly the regulatory burden placed upon preparers of that form. Nevertheless, to the extent regulations on the reporting of short sale transactions are modified in the future, we will certainly keep in mind comments such as yours regarding Form 1099-B.

Your letter provides similar comments regarding gross proceeds reporting in the context of puts and calls. Again, although your proposed changes would expand significantly the scope of information reporting on Form 1099-B (by requiring further detail on transactions), we will keep them in mind during any projects involving the relevant regulations. Generally, the "gross proceeds" focus in the regulations reflects the fact that brokers could have difficulty obtaining information (on cost basis and similar matters) if they had to report more than gross proceeds. You should note, with regard to your letter's comments on premiums, that commissions and option premiums may be taken into account by 1099-B preparers when calculating gross proceeds, under certain conditions. See 2002 Form 1099-B Instructions for Box 2 (enclosed).

Thank you for your comments regarding information reporting and Form 1099-B.

Sincerely,
James C. Gibbons
Chief, Branch 1
Administrative Provisions and
Judicial Practice Division
Procedure and Administration