

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
What determines holding period
Lot-by-lot accounting
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)
- Stock splits, spin-offs or mergers
- Any sales
- Any transfers
- As the result of inheritance

Cost basis example

- What would the cost basis be of a security with the following history –
 - purchased on several different occasions
 - dividends reinvested
 - later split its stock
 - sold part of the stock position
 - And finally part of the security gifted to a charity?

Transaction history...

Portfolio Activity Ledger for IAM Demo Portfolio 2 --

Used for Security Dropdown

Name
 All Securities
 All History
 Entire Portfolio
 Transactions: All Types
 Period: Include All Dates

Symbol
 Current Portfolio
 Open Only
 Individual Asset
 Select Asset: Aflac [AFL]

Date	Security	Activity	Quantity	Unit Price	Comm	Dollar Amount	Notes	Save	Balance-Qty	Balance-Cost
02/15/2022	Aflac	Reinvestment	2.05100	64.55388		132.40		Save	333.39380	8,590.63
05/17/2022	Aflac	Income/Reinvest				133.20		Save	333.39380	8,590.63
05/17/2022	Aflac	Reinvestment	2.33600	57.02055		133.20		Save	335.72980	8,723.83
08/23/2022	Aflac	Income/Reinvest				134.00		Save	335.72980	8,723.83
08/23/2022	Aflac	Reinvestment	2.17570	61.58937		134.00		Save	337.90550	8,857.83
11/15/2022	Aflac	Income/Reinvest				134.80		Save	337.90550	8,857.83
11/15/2022	Aflac	Reinvestment	1.91900	70.24492		134.80		Save	339.82450	8,992.63
02/14/2023	Aflac	Income/Reinvest				142.38		Save	339.82450	8,992.63
02/14/2023	Aflac	Reinvestment	2.01600	70.62500		142.38		Save	341.84050	9,135.01
05/14/2023	Aflac	Income/Reinvest				143.22		Save	341.84050	9,135.01
05/14/2023	Aflac	Reinvestment	2.18100	65.66713		143.22		Save	344.02150	9,278.23
08/22/2023	Aflac	Income/Reinvest				144.48		Save	344.02150	9,278.23
08/22/2023	Aflac	Reinvestment	1.95710	73.82351		144.48		Save	345.97860	9,422.71
11/14/2023	Aflac	Income/Reinvest				145.32		Save	345.97860	9,422.71
11/14/2023	Aflac	Reinvestment	1.77610	81.81972		145.32		Save	347.75470	9,568.03
01/16/2024	Aflac					0.00		Save		

Security Cost Basis

Security Basis - Tax Lots

Preview

Preview

Open Save Print.. Quick Print Page Setup... Scale First Page Previous Page Next Page Last Page Navigation Pane Zoom Out Zoom In Page Layout Enable Continuous Scrolling Show Cover Page Export.. Send.. Parameters Editing Fields Watermark

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	05/18/2021*	1.91800	55.918	107.25	83.717	160.57	53.32	49.72	16.3	2.67
Aflac	AFL	08/17/2021*	1.88900	57.125	107.91	83.717	158.14	50.23	46.55	17.1	2.42
Aflac	AFL	11/16/2021*	1.89600	57.263	108.57	83.717	158.73	50.16	46.20	19.1	2.17
Aflac	AFL	02/15/2022*	2.05100	64.554	132.40	83.717	171.70	39.30	29.68	14.5	1.92
Aflac	AFL	05/17/2022*	2.33600	57.021	133.20	83.717	195.56	62.36	46.82	25.8	1.67
Aflac	AFL	08/23/2022*	2.17570	61.589	134.00	83.717	182.14	48.14	35.93	24.5	1.40
Aflac	AFL	11/15/2022*	1.91900	70.245	134.80	83.717	160.65	25.85	19.18	16.1	1.17
Aflac	AFL	02/14/2023*	2.01600	70.625	142.38	83.717	168.77	26.39	18.53	20.2	0.92
Aflac	AFL	05/14/2023*	2.18100	65.667	143.22	83.717	182.59	39.37	27.49	43.0	0.68
Aflac	AFL	08/22/2023*	1.95710	73.824	144.48	83.717	163.84	19.36	13.40	36.4	0.40
Totals			347.75470	27.514	9,568.03	83.717	29,112.96	19,544.93	204.27		14.26

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Security Basis - Tax Lots for Aflac

IAM Demo Portfolio 2

01/16/2024

Dollar Cost Averaging

What determines a security's holding period?

- When a security is sold, the taxpayer must identify the holding period for the property.
- Holding period is the amount of time that the security was owned by the investor, beginning on the day after the property was acquired and including the day the property was disposed of by the taxpayer.
- Holding periods of one year or less are considered short-term.
- Holding periods of more than one year are considered long-term.

What determines a security's holding period?

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%.
 - STCG are taxed at regular income - Federal income tax rates (vary between 10% to 35%).
- The goal is to defer the capital gain tax as long as possible, so the money can continue to grow.

What is meant by lot-by-lot accounting and why does this type of record keeping matter?

- One of the many benefits of an accurate and up-to-date record keeping system is the ability to access the raw data in a useable format.
- This is particularly important when considering the tax consequences of your investment decisions.
- Investment Account Manager helps by providing:
 - Lot-by-lot assignment when making partial sales -
 - FIFO (First In, First Out); Specific ID;
 - Minimum or Maximum gain
 - Average Cost Methods for mutual funds – both single and double category methods

Making effective tax decisions with Investment Account Manager

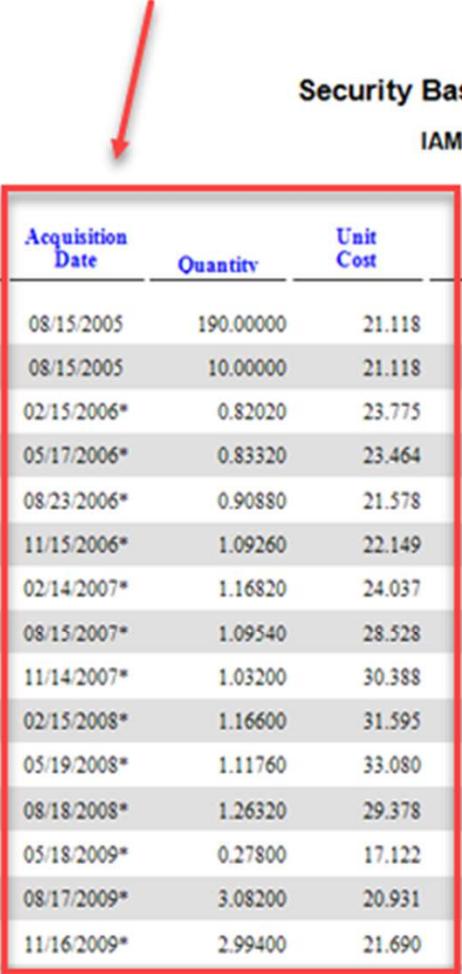
- **Definitions:**

- **Lot-by-lot accounting:** One of the more useful features provided by Investment Account Manager is the ability to track each purchase record (i.e., specific transaction lot) separately. Each lot's purchase date, quantity, cost, etc. are all tracked as individual records in IAM. This provides you with a very useful tax advantage when applying sales.

Example of lot-by-lot accounting...

Security Basis - Tax Lots for Aflac

IAM Demo Portfolio 2



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	08/15/2005	190.00000	21.118	4,012.48	83.717	15,906.23	11,893.75	296.42	7.8	18.43
Aflac	AFL	08/15/2005	10.00000	21.118	211.18	83.717	837.17	625.99	296.42	7.8	18.43
Aflac	AFL	02/15/2006*	0.82020	23.775	19.50	83.717	68.66	49.16	252.10	7.3	17.93
Aflac	AFL	05/17/2006*	0.83320	23.464	19.55	83.717	69.75	50.20	256.78	7.5	17.68
Aflac	AFL	08/23/2006*	0.90880	21.578	19.61	83.717	76.08	56.47	287.97	8.1	17.41
Aflac	AFL	11/15/2006*	1.09260	22.149	24.20	83.717	91.47	67.27	277.98	8.0	17.18
Aflac	AFL	02/14/2007*	1.16820	24.037	28.08	83.717	97.80	69.72	248.29	7.6	16.93
Aflac	AFL	08/15/2007*	1.09540	28.528	31.25	83.717	91.70	60.45	193.44	6.8	16.43
Aflac	AFL	11/14/2007*	1.03200	30.388	31.36	83.717	86.40	55.04	175.51	6.5	16.18
Aflac	AFL	02/15/2008*	1.16600	31.595	36.84	83.717	97.61	60.77	164.96	6.3	15.93
Aflac	AFL	05/19/2008*	1.11760	33.080	36.97	83.717	93.56	56.59	153.07	6.1	15.67
Aflac	AFL	08/18/2008*	1.26320	29.378	37.11	83.717	105.75	68.64	184.96	7.0	15.42
Aflac	AFL	05/18/2009*	0.27800	17.122	4.76	83.717	23.27	18.51	388.87	11.4	14.67
Aflac	AFL	08/17/2009*	3.08200	20.931	64.51	83.717	258.02	193.51	299.97	10.1	14.42
Aflac	AFL	11/16/2009*	2.99400	21.690	64.94	83.717	250.65	185.71	285.97	10.0	14.18

Sale application methods provided by Investment Account Manager...

- Lot-by-lot accounting enables you to consider the tax consequences of selling partial positions.
- As mentioned previously, 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 – both single and double category methods
- Let's take a look at these 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.

The screenshot shows a 'Sale Transaction - Specify Sale Method' dialog box. It includes fields for Trade Date (01/16/2024), Security Symbol (AFL), Security Description (Affac), Sale Price (82.500), and Net Sale Amount (8,250.00). It also shows Quantity Sold (100.00000) and Quantity Left to Apply (100.00000). Sorting options are set to 'Long to Short' by holding period and 'Lower to Higher' by unit cost. A table lists five lots with their acquisition dates, holding periods, unit costs, and quantities. The lot with the lowest unit cost (11/14/2011) is highlighted with a red arrow. Below the table, five radio button options for sale methods are shown: Minimum Gain, First-In First-Out, Specific ID, Maximum Gain, and Last-In First-Out. The 'Deposit to' field is set to 'Portfolio Cash' with an account balance of \$43,987.59. The Settlement Date is 01/18/2024. Buttons for 'Help' and 'Cancel' are at the bottom right.

Date Acquired	Holding Period	Unit Cost	Quantity Held	Quantity Applied	Realized Gain or Loss	Remaining Cost
05/18/2009	Long Term	17.122	10.00000	0.00000	0.00	211.18
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	0.82020	0.00000	0.00	19.50
11/14/2011	Long Term	20.991	3.83600	0.00000	0.00	80.52
Total			324.40810	0.00000	0.00	9,001.60

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.

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All the information you
(or your CPA) needs.

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Date Range - 01/01/2023 Thru 12/31/2023

Type/Security	Taxable		NonTaxable		Gain Distributions		Other Income	Total
	Interest	Dividends	Interest	Dividends	Short-Term	Long-Term		
Exchange Traded Funds								
IJH	iShares Core S&P Mid-Cap ETF	999.20						999.20
IJR	iShares Core S&P Small-Cap ETF	924.30						924.30
VWO	Vanguard FTSE Emerging Markets	651.60						651.60
	Total Exchange Traded Funds	<u>2,575.10</u>						<u>2,575.10</u>
Mutual Funds								
DODGX	Dodge & Cox Stock Fund	1,605.51			17.06	1,257.68		1,605.51
LSBRX	Loomis Sayles Bond Fund	1,011.63						1,011.63
VFISX	Vanguard Short Term Treasury F	58.65						58.65
VWELX	Vanguard Wellington Fund	1,100.06			4.75	1,836.65		1,100.06
	Total Mutual Funds	<u>3,775.85</u>			<u>21.81</u>	<u>3,094.33</u>		<u>3,775.85</u>
Common Stocks								
AFL	Aflac	575.40						575.40
CBU	Community Bank	220.00						220.00
HBAN	Huntington Bancshares Incorpor	209.25						209.25
MRVL	Marvell Technology Inc.	63.00						63.00
TGT	Target	1,090.00						1,090.00
	Total Common Stocks	<u>2,157.65</u>						<u>2,157.65</u>
	Totals:	<u>8,508.60</u>			<u>21.81</u>	<u>3,094.33</u>		<u>8,508.60</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.

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Sold Securities
 IAM Demo Portfolio 2
 Date Range - 01/01/2023 Thru 12/31/2023

Security	Purchase Date	Sale Date	Years Held	Quantity	Unit Cost	Total Cost	Unit Price	Sale Proceeds	Realized Gain/Loss	% G/L	Annl % G/L
Short Term Activity											
Marvell Technology Inc.	11/28/2022	09/14/2023	0.795	350.00000	43.139	15,098.49	55.970	19,589.50	4,491.01	29.74	38.8
IQVIA Holdings Inc.	09/14/2023	11/29/2023	0.208	50.00000	214.520	10,726.00	214.590	10,729.50	3.50	0.03	0.1
Total Short Term Activity						25,824.49		30,319.00	4,494.51	17.40	
Long Term Activity											
Vanguard Short Term Treasury F	04/14/2010	09/14/2023	13.427	1,000.00000	9.893	9,893.20	9.750	9,750.00	-143.20	-1.45	-0.1
Community Bank	02/14/2008	09/14/2023	15.592	250.00000	21.231	5,307.65	43.850	10,962.50	5,654.85	106.54	4.8
Total Long Term Activity						15,200.85		20,712.50	5,511.65	36.26	
Total Net Activity						41,025.34		51,031.50	10,006.16	24.39	

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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