Senate Bill Would Tax Securities Sales on FIFO Basis

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The Senate tax reform bill, which the Senate passed on December 2, includes a provision that could increase the amount of capital gain recognized on many sales of securities. Under current law, when taxpayers sell securities, such as stock shares, they can often minimize the income tax impact by choosing to sell only those shares that have the least built-in capital gain. However, the Senate bill would impose a “first-in, first-out” rule, treating the sale as if the taxpayer were selling the shares he or she has held the longest, which are likely to be the shares with the most built-in capital gain.

If enacted in its current form, the Senate tax bill would apply to sales and exchanges of securities (including stock and bonds issued by both public and private companies) taking place on or after January 1, 2018. Taxpayers contemplating a sale of securities should consider the possible rule change in planning whether to sell before year end or wait until 2018.

Contact a member of Arnall Golden Gregory’s Tax practice, who can advise you on how the Senate tax bill will affect you. We are glad to assist.

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