

ships), and P (relating to capital gains and losses)), adjusted as provided in section 1016.

**(b) Bargain sale to a charitable organization**

If a deduction is allowable under section 170 (relating to charitable contributions) by reason of a sale, then the adjusted basis for determining the gain from such sale shall be that portion of the adjusted basis which bears the same ratio to the adjusted basis as the amount realized bears to the fair market value of the property.

(Aug. 16, 1954, ch. 736, 68A Stat. 296; Pub. L. 91-172, title II, §201(f), Dec. 30, 1969, 83 Stat. 564.)

AMENDMENTS

1969—Pub. L. 91-172 redesignated existing provisions as subsec. (a) and added subsec. (b).

EFFECTIVE DATE OF 1969 AMENDMENT

Amendment by Pub. L. 91-172 applicable with respect to sales made after Dec. 19, 1969, see section 201(g)(6) of Pub. L. 91-172, set out as a note under section 170 of this title.

**§ 1012. Basis of property—cost**

**(a) In general**

The basis of property shall be the cost of such property, except as otherwise provided in this subchapter and subchapters C (relating to corporate distributions and adjustments), K (relating to partners and partnerships), and P (relating to capital gains and losses).

**(b) Special rule for apportioned real estate taxes**

The cost of real property shall not include any amount in respect of real property taxes which are treated under section 164(d) as imposed on the taxpayer.

**(c) Determinations by account**

**(1) In general**

In the case of the sale, exchange, or other disposition of a specified security on or after the applicable date, the conventions prescribed by regulations under this section shall be applied on an account by account basis.

**(2) Application to certain regulated investment companies**

**(A) In general**

Except as provided in subparagraph (B), any stock for which an average basis method is permissible under this section which is acquired before January 1, 2012, shall be treated as a separate account from any such stock acquired on or after such date.

**(B) Election for treatment as single account**

If a regulated investment company described in subparagraph (A) elects to have this subparagraph apply with respect to one or more of its stockholders—

(i) subparagraph (A) shall not apply with respect to any stock in such regulated investment company held by such stockholders, and

(ii) all stock in such regulated investment company which is held by such stockholders shall be treated as covered securities described in section 6045(g)(3) without regard to the date of the acquisition of such stock.

A rule similar to the rule of the preceding sentence shall apply with respect to a broker holding such stock as a nominee.

**(3) Definitions**

For purposes of this section, the terms “specified security” and “applicable date” shall have the meaning given such terms in section 6045(g).

**(d) Average basis for stock acquired pursuant to a dividend reinvestment plan**

**(1) In general**

In the case of any stock acquired after December 31, 2011, in connection with a dividend reinvestment plan, the basis of such stock while held as part of such plan shall be determined using one of the methods which may be used for determining the basis of stock in a regulated investment company.

**(2) Treatment after transfer**

In the case of the transfer to another account of stock to which paragraph (1) applies, such stock shall have a cost basis in such other account equal to its basis in the dividend reinvestment plan immediately before such transfer (properly adjusted for any fees or other charges taken into account in connection with such transfer).

**(3) Separate accounts; election for treatment as single account**

**(A) In general**

Rules similar to the rules of subsection (c)(2) shall apply for purposes of this subsection.

**(B) Average basis method**

Notwithstanding paragraph (1), in the case of an election under rules similar to the rules of subsection (c)(2)(B) with respect to stock held in connection with a dividend reinvestment plan, the average basis method is permissible with respect to all such stock without regard to the date of the acquisition of such stock.

**(4) Dividend reinvestment plan**

For purposes of this subsection—

**(A) In general**

The term “dividend reinvestment plan” means any arrangement under which dividends on any stock are reinvested in stock identical to the stock with respect to which the dividends are paid.

**(B) Initial stock acquisition treated as acquired in connection with plan**

Stock shall be treated as acquired in connection with a dividend reinvestment plan if such stock is acquired pursuant to such plan or if the dividends paid on such stock are subject to such plan.

(Aug. 16, 1954, ch. 736, 68A Stat. 296; Pub. L. 110-343, div. B, title IV, §403(b), Oct. 3, 2008, 122 Stat. 3857; Pub. L. 113-295, div. A, title II, §§210(f)(1)–(3), 220(n), Dec. 19, 2014, 128 Stat. 4031, 4032, 4036.)

AMENDMENTS

2014—Subsec. (c)(2). Pub. L. 113-295, §210(f)(1)(A), substituted “regulated investment companies” for “funds” in heading.

Subsec. (c)(2)(A). Pub. L. 113-295, § 220(n), substituted “this section” for “section 1012”.

Subsec. (c)(2)(B). Pub. L. 113-295, § 210(f)(1)(C), substituted “regulated investment company” for “fund” wherever appearing.

Pub. L. 113-295, § 210(f)(1)(B), struck out “fund” after “Election” in heading.

Subsec. (d)(1). Pub. L. 113-295, § 210(f)(2), substituted “December 31, 2011” for “December 31, 2010” and “a regulated investment company” for “an open-end fund”.

Subsec. (d)(3). Pub. L. 113-295, § 210(f)(3), amended par. (3) generally. Prior to amendment, text read as follows: “Rules similar to the rules of subsection (c)(2) shall apply for purposes of this subsection.”

2008—Pub. L. 110-343 designated first sentence as subsec. (a) and second sentence as subsec. (b), inserted headings, and added subsecs. (c) and (d).

#### EFFECTIVE DATE OF 2014 AMENDMENT

Amendment by section 210(f)(1)–(3) of Pub. L. 113-295 effective as if included in the provisions of the Energy Improvement and Extension Act of 2008, Pub. L. 110-343, div. B, to which such amendment relates, see section 210(h) of Pub. L. 113-295, set out as a note under section 45 of this title.

#### EFFECTIVE DATE OF 2008 AMENDMENT

Pub. L. 110-343, div. B, title IV, § 403(e), Oct. 3, 2008, 122 Stat. 3860, provided that:

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section [enacting sections 6045A and 6045B of this title and amending this section and sections 6045 and 6724 of this title] shall take effect on January 1, 2011.

“(2) EXTENSION OF PERIOD FOR STATEMENTS SENT TO CUSTOMERS.—The amendments made by subsection (a)(3) [amending section 6045 of this title] shall apply to statements required to be furnished after December 31, 2008.”

### § 1013. Basis of property included in inventory

If the property should have been included in the last inventory, the basis shall be the last inventory value thereof.

(Aug. 16, 1954, ch. 736, 68A Stat. 296.)

### § 1014. Basis of property acquired from a decedent

#### (a) In general

Except as otherwise provided in this section, the basis of property in the hands of a person acquiring the property from a decedent or to whom the property passed from a decedent shall, if not sold, exchanged, or otherwise disposed of before the decedent’s death by such person, be—

(1) the fair market value of the property at the date of the decedent’s death,

(2) in the case of an election under section 2032, its value at the applicable valuation date prescribed by such section,

(3) in the case of an election under section 2032A, its value determined under such section, or

(4) to the extent of the applicability of the exclusion described in section 2031(c), the basis in the hands of the decedent.

#### (b) Property acquired from the decedent

For purposes of subsection (a), the following property shall be considered to have been acquired from or to have passed from the decedent:

(1) Property acquired by bequest, devise, or inheritance, or by the decedent’s estate from the decedent;

(2) Property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent, with the right reserved to the decedent at all times before his death to revoke the trust;

(3) In the case of decedents dying after December 31, 1951, property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent with the right reserved to the decedent at all times before his death to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust;

(4) Property passing without full and adequate consideration under a general power of appointment exercised by the decedent by will;

(5) In the case of decedents dying after August 26, 1937, and before January 1, 2005, property acquired by bequest, devise, or inheritance or by the decedent’s estate from the decedent, if the property consists of stock or securities of a foreign corporation, which with respect to its taxable year next preceding the date of the decedent’s death was, under the law applicable to such year, a foreign personal holding company. In such case, the basis shall be the fair market value of such property at the date of the decedent’s death or the basis in the hands of the decedent, whichever is lower;

(6) In the case of decedents dying after December 31, 1947, property which represents the surviving spouse’s one-half share of community property held by the decedent and the surviving spouse under the community property laws of any State, or possession of the United States or any foreign country, if at least one-half of the whole of the community interest in such property was includible in determining the value of the decedent’s gross estate under chapter 11 of subtitle B (section 2001 and following, relating to estate tax) or section 811 of the Internal Revenue Code of 1939;

[(7), (8) Repealed. Pub. L. 113-295, div. A, title II, § 221(a)(74)(B), Dec. 19, 2014, 128 Stat. 4049]

(9) In the case of decedents dying after December 31, 1953, property acquired from the decedent by reason of death, form of ownership, or other conditions (including property acquired through the exercise or non-exercise of a power of appointment), if by reason thereof the property is required to be included in determining the value of the decedent’s gross estate under chapter 11 of subtitle B or under the Internal Revenue Code of 1939. In such case, if the property is acquired before the death of the decedent, the basis shall be the amount determined under subsection (a) reduced by the amount allowed to the taxpayer as deductions in computing taxable income under this subtitle or prior income tax laws for exhaustion, wear and tear, obsolescence, amortization, and depletion on such property before the death of the decedent. Such basis shall be applicable to the property commencing on the death of the decedent. This paragraph shall not apply to—

(A) annuities described in section 72;