



Senate Bill Could Limit Your Tax Choices 12-1-17

We have reviewed the Senate Tax Cuts and Jobs Act, which was released last week. Section 13533 of the Senate Bill imposes a single cost basis methodology for investors, "first in, first out" ("FIFO"), on all sales of securities (except mutual funds).

This means possibly being **required to pay the highest capital gains taxes** where a stock has appreciated over time. DCM opposes this provision because it limits the average investor's freedom to decide when to take losses or gains on his or her investments.

An Example

An individual holds a significant amount of a company's stock, accumulated over a 20-year period. Assume the purchases over time range from \$5 per share up to \$90 per share, but the stock now is trading at \$50.

If the investor now wants to sell the stock at \$50, rather than being able to take losses on the stock purchased above \$50, the Senate Bill could require this individual to pay capital gains taxes on the appreciation of the stock from \$5 to \$50. That is, even if the shareholder has experienced sizeable paper losses on the purchases above \$50, the Senate Bill might force him or her to pay taxes calculated on the largest gains possible.

What Can You Do?

If you are concerned about these changes, you can contact your congressional representatives today and express your views. One of our partnering custodians, TD Ameritrade, has created a website <www.tdameritrade.com/takeaction> that allows individual investors to easily reach out to their government representatives.

What Can DCM Do?

There are certain tax strategies that can be utilized in preparation of this provision becoming law. Charitable gifts, wealth transfer, gifts to family members, and selling high cost basis stock are all strategies that your Portfolio Manager will be happy to discuss with you. In addition, each year DCM performs Tax Loss Harvesting on all after-tax accounts, in order to minimize capital gains tax.

If you have any questions, please don't hesitate to contact us.

Sincerely,

Your DCM Team