

TAX BASIS FORM INSTRUCTIONS

The tax basis form is a cumulative statement of the tax basis of your vessel from the date of its acquisition. To fill out the form, start with listing the original vessel cost and add any improvements which added to basis, subtract any tax deferred CCF withdrawals in the appropriate manner as listed below, subtract any depreciation taken for the acquisition cost of the vessel or capital improvements and the remaining sum will constitute the amount of remaining vessel basis.

Original vessel cost should be the vessel acquisition cost as you have capitalized it on your Federal income tax return or would have capitalized it on your Federal income tax return if all the funds had not come your CCF account.

Improvements should include any capital improvements which added to the basis of the vessel. A capital improvement to your vessel is an improvement which is not considered yearly maintenance such as painting the vessel. A vessel improvement should last more than a year. The source of the vessel improvement could come either from non-CCF funds or as a withdrawal from your CCF account, regardless of the funding source all improvements which add to basis should be included on the line marked vessel improvements.

CCF withdrawals are tax deferred CCF withdrawals which were withdrawn from your CCF account to pay for the acquisition cost of the vessel or any qualified reconstruction. For withdrawals which came from the ordinary income account, withdrawals should reduce vessel basis on a dollar for dollar basis, withdrawals coming from the capital gain account reduce basis by one half for individuals, partnerships and small corporations and for other corporations withdrawals should reduce basis by 5/8ths. Withdrawals from the capital account do not reduce basis and should not appear on the line marked CCF withdrawals.

Depreciation After you have reduced basis for CCF withdrawals as indicated above you can depreciate either what remains of the vessel acquisition cost or improvements which added to the vessel basis.

For further guidance on how to calculate vessel basis regarding the CCF program refer to 26 CFR Part 3 - Capital Construction Fund and IRS Publication 946 for general guidance regarding vessel basis and depreciation.

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