

# Importing and Reconciling Tax Lot Data in Morningstar Office

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Morningstar has developed a cost basis reconciliation tool that allows you to reconcile the cost basis and lot information in Morningstar Office against your custodian. This document explains how to import and reconcile these lots in Morningstar Office. This can be done as part of the regular import process for specific custodians.

The following topics are covered:

- What a tax lot is
- What the advantage is of importing and reconciling tax lot data, and
- How to import and reconcile tax lot data.

In Morningstar Office, realized and unrealized gains and losses in a portfolio are calculated based on the per-share cost basis for a security. The per-share cost basis is the price at which the share, or a “lot” of shares, were purchased.

The original purchase date of shares (or “lot” of shares) can be used to differentiate between long- and short-term gains and losses in reports as well.

☞ Performance calculations (both IRR and TWR) are not dependent on per share cost basis.

The per share cost basis is usually populated in your accounting system from your data. This data is usually imported from your custodians’ or data aggregators’ transaction files and/or can be manually entered using a transaction wizard or blotter.

When you reconcile your cost basis and lot information, the tool is basically comparing everything in Morningstar Office’s accounting system to the cost basis file from your custodian.

☞ Be sure to download the cost basis file from your custodian!

The cost basis file from the custodian on a particular day contains the cost basis and lot information of all the positions that are held across your clients’ portfolios as of that particular day.

## Overview

## What is a tax lot?

Importing and reconciling cost basis lots is available for Morningstar Office users importing from TD Ameritrade and Schwab.

For Schwab users, be sure to download the following files:

- CRSyymmdd.ULT – Unrealized Gain/Loss Open Lot Taxable file
- CRSyymmdd.ULN – Unrealized Gain/Loss Open Lot Non-taxable file

For TD Ameritrade users, be sure to download the following file:

- TDyymmdd.CBL – Cost Basis Open Lot file.

When reconciling cost basis lots, one of three outcomes could occur. The table below shows what these outcomes are, and what each means.

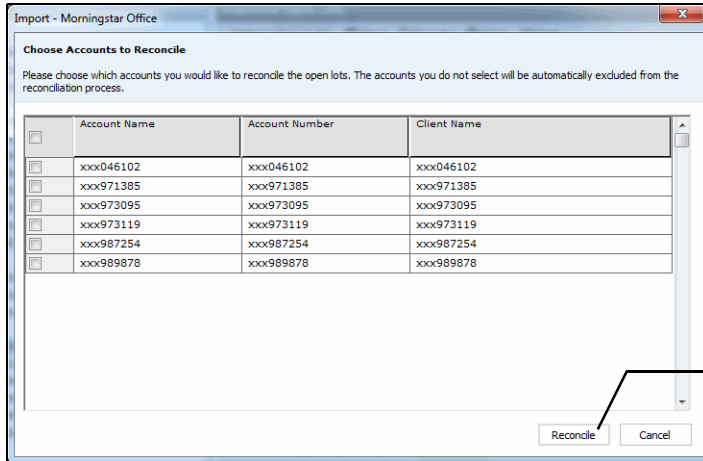
Outcome	Explanation
Both the lots and cost basis reconcile successfully	If an account successfully reconciles cost basis and lot information, your unrealized gain/loss calculations in Morningstar Office will be accurate when compared to the custodian. No further action needs to be taken.
Mismatched lot information is found	<p>If a security has mismatched lot information, this means the lots of a particular security in Morningstar Office are not matching the lots held in the custodian's cost basis file (which represents what is at the custodian).</p> <p>A common reason for this is that the shares in the account in Morningstar Office show as one complete lot (represented by one deliver-in as of the date those shares were transferred into the account, or when the data was initialized), while the custodian has many transactions for purchases of the security.</p> <p>Here are some other reasons why mismatched lots occur:</p> <ul style="list-style-type: none"> <li>• the Closing Transaction matching method differs between Morningstar Office and the custodian</li> <li>• a tax lot matching optimization difference</li> <li>• a corporate action processing difference (e.g., a different fair market value calculation)</li> <li>• a wash sale cost basis adjustment</li> <li>• cost basis step up due to death</li> <li>• missing original cost basis</li> <li>• amortization/accretion difference</li> <li>• return of principle, and</li> <li>• original issue discount annual accrued income.</li> </ul> <p>The cost basis reconciliation tool can help fix this discrepancy by splitting lots in Morningstar Office to match those from the custodian.</p>
Mismatched cost basis is found	<p>This means the cost basis of a particular lot in Morningstar Office is not matching up with the cost basis of the lot in the cost basis file.</p> <p>The cost basis reconciliation tool can help fix this discrepancy by allowing you to create adjust cost transactions that will allow you to adjust the cost of lots that may not have the same cost basis as is reported in the cost basis file.</p>

**For which custodians can cost basis lots be reconciled?**

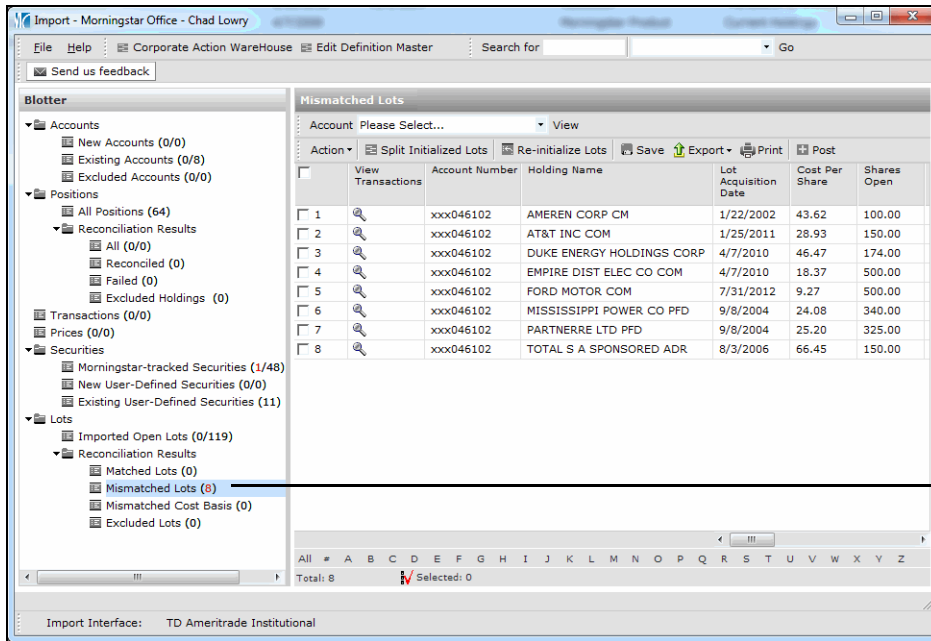
**What are the possible outcomes when I import and reconcile cost basis lots?**

The cost basis reconciliation tool helps you fix any discrepancies during importing, and you can manually edit lots as well.

### How do I reconcile lots for cost basis?



You can select an account to reconcile...



...then choose to split, re-initialize or manually edit those items until they are reconciled

The table below explains the three options available to you when reconciling lot information:

Method	Description
Split Initialized Lots	<p>This function breaks up the one, complete lot (represented by a deliver-in of shares) in Morningstar Office to multiple deliver-ins. Each deliver-in represents one lot with a unique cost basis and original purchase date.</p> <p>Note: the original purchase date is not the trade date of the transaction being split. The trade date remains the date of the deliver-in, but another field is populated with the custodian's original purchase dates.</p> <p>This tool works only for open positions that have not been partially closed since they came into the account (on the deliver-in date).</p> <p>To address lots for partially closed shares, you might have to manually edit the deliver-in record in Morningstar Office, unless you have cost information for the closed position(s).</p>
Re-initialize Lots	<p>This tool is the easier and faster way of the two options. If you chose to use this method, the tool will debit out your lot/lots with missing information and credit back in the positions broken down by lots and correct cost basis as of the day you are reconciling.</p> <p>If you adjust your lot information this way, your gain/loss reports will only be accurate or complete from this day going forward. Historical Gain/loss reports may not be accurate.</p>
Manually Edit a Lot	<p>If the number of lots from the custodian matches the number of lots in Morningstar Office, you may need to simply adjust data such as the Acquisition Date, or Number of Shares, or Price.</p>

If you are concerned only about reporting on **unrealized** gains and losses, which is how much a portfolio will gain or lose if you sold a position today, then the re-initialize lots option may be the least time consuming and relatively easier than the others, as the tool will simply re-establish your open lots to match your custodian as of the day you are reconciling.

If, however, you are concerned about reporting **realized** gains and losses, then a combination of splitting lots and manually editing deliver-in transactions will be required to ensure accurate reporting.

For questions or further clarification on your options, please reach out to your custodian or the Morningstar Office Support team at 866-215-2503.