The ABCs Of BCE's ACB

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If you are one of the many who have held shares in BCE (Bell Canada) in a non-RRSP account for a decade or more, you face the daunting prospect of having to report your capital gains next spring. As of December 2008, BCE will become a private company and your shares will be bought out for $42.75 each, assuming that you have not transferred them to a charity before that date to take advantage of the waiver of the capital gains tax.

As you might suspect from the title of this article, calculating the Adjusted Cost Base (ACB) for BCE can be tricky. How tricky depends on how long you have held the shares and how many transactions (including DRIP and SPP purchases) you have made with them. The good news is that perfection is not required – a reasonable estimate is adequate. And the BCE.ca website features helpful information and calculators that can be useful in the process. Included are stock split dates (October 1948, 4 for 1; April 1979, 3 for 1; and May 1997, 2 for 1), Valuation Day price ($46.88), monthly historical share prices from 1948, a DRIP ACB calculator, and details on TeleGlobe and the May 2000 Nortel and July 2006 Aliant spin-offs.

If your situation is fairly straightforward, what follows may be all you need to determine your adjusted cost base. We will assume that 500 Bell shares were purchased in April 1980 for $19.25 per share plus $375 in broker's fees, or $10,000 total, and that none were sold since then. No capital gains crystallization election was made in 1994.

1. In 1980, the adjusted cost base would have been $10,000 for 500 shares, or $20 per share. In May 1997 there was a 2-for-1 stock split, meaning that you now had 1,000 shares. Only the adjusted cost base per share would change (now $10 per share) as a consequence of the split, not the total ACB, which is what the tax department wants.

2. In May 2000, the spin-off of Nortel took 69% ($6,900) of the $10,000 ACB with it (ignoring the fractional amount). So, now you would have 1,000 shares with an ACB of $3,100 ($3.10 per share).

3. In July 2006, the Aliant spin-off muddled things somewhat because there was also a share reorganization. To calculate how many Aliant shares you obtained, you have to multiply the 1,000 BCE shares by 0.0725, which would result in you acquiring 72 shares of Aliant (ignoring the fractional amount). These shares had an ACB of $33.40 each, or $2,405 in total. You would subtract this amount from the ACB of the BCE shares ($3,100 minus $2,405) to get the new ACB of $695. Because of the share consolidation, you now own 910 BCE shares (ignoring the fractional amount) with a per share ACB of 76 cents.

   (Bonus: you can use this information if you are selling off your Aliant shares and need its ACB figure.)

4. In the spring of 2009, you would list as your proceeds of sale for BCE on your tax return 910 shares times $42.75 ($38,903) and as your adjusted cost base $695. This would result in a gross capital gain of $38,208, one-half of which is your taxable capital gain ($19,104). This figure must be reported for dispositions of shares not held in RRSP and RRIF accounts. Tax payable at a rate of 40% would be $7,642.

Taken step by step, the process is fairly straightforward. Of course, you might want to consider donating all the shares to charity "in-kind" before the takeover date in December and thus not have to worry about the capital gains problem at all. Such a donation would generate a big tax receipt (about a 45% credit, or $17,000), which you could use up over the next five years if you have enough tax to pay during that time. (See the September 2007 *MoneySaver* article by Sandy Cardy.)

It would be hard to deal here with all the other possibilities of purchases and sales of BCE shares and how they would affect the ACB calculation. But again, a step-by-step approach will provide you with fairly accurate figures. If you made the February 1994 capital gains election for your shares, you would take that date as your starting cost. If you sold shares during the last few decades, you need to find out what adjusted cost base you assigned to them at the time of the sale and deduct this from the total ACB of BCE. If you bought any new shares, their cost would be added to the ACB. For DRIPs, your records should give you information on how much money per year was used to purchase new shares, and this would be added to your total ACB. The BCE website has a handy yearly calculator for DRIPs. You could also obtain the annual purchase amount by adding up the "actual dividend" amounts from the T5 slips that you filed every year with your income tax return.

All of this sounds complex, but if you have the time and patience, it could save you big money in accounting fees. Good luck in your quest for the elusive BCE ACB!

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