

# Reporting of mutual fund dividends and capital gains

Tax preparation assistance:  
How to use Form 1099-DIV when  
you file your tax return



**Vanguard®**

## What's reported on Form 1099-DIV

Prior to the 2012 tax year, you received Form 1099-DIV for reporting dividends and capital gains from taxable mutual fund accounts and, if applicable, Form 1099-INT for reporting tax-exempt interest dividends from mutual fund accounts. We'd like to remind you that Form 1099-DIV is now used to report all of these dividends and distributions.

Boxes 10 and 11 on the 1099-DIV are now used for reporting the information that was previously reported on the 1099-INT. There are also three additional boxes (12–14) for reporting state tax withholding. Look for more in-depth descriptions of these boxes on pages 4 and 5, along with an illustration of the 1099-DIV and directions for how to use it to complete your Form 1040 or 1040A.

### All of your funds may not be included on your 1099-DIV

Form 1099-DIV reports dividends and capital gains of \$10 or more from your taxable mutual fund accounts, as well as tax-exempt interest dividends of \$10 or more distributed by Vanguard's municipal bond funds and Vanguard Tax-Managed Balanced Fund. Income of less than \$10 is reported only on your Vanguard year-end account statement. All dividends and capital gains you received must be reported on your federal tax return.

*Although tax-exempt interest dividends from Vanguard's municipal bond funds and Vanguard Tax-Managed Balanced Fund are generally exempt from federal income tax, you must still report these earnings on your federal income tax return.*

## REIT Index Fund Form 1099-DIV mailed in February

If you're a shareholder of Vanguard REIT Index Fund, you shouldn't file your federal or state income tax returns until you receive your Form 1099-DIV for Vanguard REIT Index Fund, which Vanguard mails (with IRS approval) in February.

REITs generally can't calculate their taxable earnings until after the end of the tax year. For this reason, Vanguard seeks an extension from the IRS each year to mail completed Forms 1099-DIV for Vanguard REIT Index Fund after the normal deadline of January 31. Filing your tax returns prior to receiving this form may require filing amended returns and may result in the payment of additional taxes.

## How to use Form 1099-DIV

This brochure explains how to report information from the enclosed Form 1099-DIV on your tax return (Form 1040 or 1040A).

### Schedule B (Interest and Ordinary Dividends)

If the total of all the ordinary dividends (Box 1a) received from all your taxable investments is more than \$1,500, you must list each source of your ordinary dividend income on Schedule B of Form 1040. If the total of all ordinary dividends received from all your taxable investments is \$1,500 or less, you must report it on Line 9a of Form 1040 or 1040A.

### Schedule D (Capital Gains and Losses)

You must report total capital gains (Box 2a) from your taxable mutual fund accounts on Schedule D of Form 1040, unless both of the following exceptions apply:

1. The only amounts you have to report on Schedule D are capital gains from Box 2a of your Forms 1099-DIV.
2. None of your Forms 1099-DIV have an amount in Box 2b (Unrecaptured Section 1250 gain), Box 2c (Section 1202 gain), and Box 2d (Collectibles [28%] gain).

If you aren't required to file Schedule D, enter your total capital gains (Box 2a) from all your taxable investments on Line 13 of Form 1040 and check the box on that line, or enter them on Line 10 of Form 1040A. You also must complete the Qualified Dividends and Capital Gain Tax Worksheet included in the Form 1040 or 1040A instructions to determine your tax due on these amounts.

### Box 1a (Total ordinary dividends)

Box 1a shows total ordinary dividends, including short-term capital gains, by fund from your taxable Vanguard mutual fund accounts.

## Reporting mutual fund distributions and dividends

In this example, the investor is required to file Schedule D and has received the following distributions:

### Health Care Fund

\$126.84 in ordinary dividends, as shown in Box 1a (Total ordinary dividends). The investor reports amounts shown in Box 1a on all Forms 1099-DIV from all sources separately, by fund, on Line 5 of Schedule B (Form 1040 or 1040A).

\$117.94 in QDI, as shown in Box 1b (Qualified dividends). The investor reports the sum of all QDI shown in Box 1b on all Forms 1099-DIV on Line 9b of Form 1040 or 1040A, assuming that the investor meets the QDI holding-period requirement, as described previously.

\$215.27 in long-term capital gains, as shown in Box 2a (Total capital gain distributions). The investor reports the sum of all long-term capital gains from all sources on Line 13 of Schedule D (Form 1040 or 1040A).

### High-Yield Tax-Exempt Fund

\$820.62 in exempt-interest dividends, as shown in Box 10 (Exempt-interest dividends). The investor reports the sum of all exempt-interest dividends from all sources on Line 8b of Form 1040.

**IMPORTANT TAX DOCUMENT**

**Vanguard**  
Contact Info: 1-800-662-2739

**2013 Form 1099-DIV**  
Dividends and Distributions

Copy B For Recipient  
OMB No. 1545-0110

**RECIPIENT'S identification number:** XXX-XX-1234

SAMPLE SHAREHOLDER  
PO BOX 2600  
VALLEY FORGE PA 19482-2600

Fund Name	PAYER'S federal identification number	Recipient Account number	Total ordinary dividends (Box 1a)	Qualified dividends (Box 1b)	Total capital gain distr. (Box 2a)	Unrecap. Sec. 1250 gain (Box 2b)	Nondividend distributions (Box 3)	Federal income tax withheld (Box 4)	Foreign tax paid (Box 6)	Exempt-interest dividends (Box 10)	Specified private activity bond interest dividends (Box 11)	State (Box 12)	State identification no. (Box 13)	State tax withheld (Box 14)
HIGH-YIELD TAX-EXEMPT INV	23-2473415	00000012344	0.00	0.00	0.00	0.00	0.00	0.00	0.00	820.62	94.04			0.00
HEALTH CARE FUND INV	23-2439149	00000012344	126.84	117.94	215.27	0.00	0.00	0.00	0.00	0.00	0.00			0.00

**SCHEDULE B**  
(Form 1040A or 1040)

**Interest and Ordinary Dividends**

OMB No. 1545-0074  
**2013**  
Attachment Sequence No. 08

Department of the Treasury Internal Revenue Service (99)  
▶ Attach to Form 1040A or 1040. ▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at [www.irs.gov/scheduleb](http://www.irs.gov/scheduleb).

Name(s) shown on return: \_\_\_\_\_ Your social security number: \_\_\_\_\_

**Part I Interest**

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶

Name of payer	Amount
HEALTH CARE FUND INV	126.84

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

**Part II Ordinary Dividends**

5 List name of payer ▶

Name of payer	Amount
HEALTH CARE FUND INV	117.94

**SCHEDULE D**  
(Form 1040)

**Capital Gains and Losses**

OMB No. 1545-0074  
**2013**  
Attachment Sequence No. 12

Department of the Treasury Internal Revenue Service (99)  
▶ Attach to Form 1040 or Form 1040NR. ▶ Information about Schedule D and its separate instructions is at [www.irs.gov/scheduled](http://www.irs.gov/scheduled). ▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

Name(s) shown on return: \_\_\_\_\_ Your social security number: \_\_\_\_\_

**Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less**

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.

(a) Proceeds (sales price)	(b) Cost (or other basis)	(c) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(d) Gain or (loss) Subtract column (b) from column (a)
			7

**Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year**

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.

(a) Proceeds (sales price)	(b) Cost (or other basis)	(c) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(d) Gain or (loss) Subtract column (b) from column (a)
			11
			12
			13 215.27

**Form 1040** Department of the Treasury—Internal Revenue Service (99)  
**U.S. Individual Income Tax Return** OMB No. 1545-0074  
For the year Jan. 1–Dec. 31, 2013, or other tax year beginning , 2013, ending , 20 . See separate instructions.

Your first name and initial: \_\_\_\_\_ Last name: \_\_\_\_\_ Your social security number: \_\_\_\_\_

If a joint return, spouse's first name and initial: \_\_\_\_\_ Last name: \_\_\_\_\_ Spouse's social security number: \_\_\_\_\_

Home address (or P.O. box, if you receive your mail there): \_\_\_\_\_ Add numbers on lines above ▶

**Income**

Line	Description	Amount
7	Wages, salaries, tips, etc. Attach Form(s) W-2	
8a	Taxable interest. Attach Schedule B if required	
b	Tax-exempt interest. Do not include on line 8a	820.62
9a	Ordinary dividends. Attach Schedule B if required	
b	Qualified dividends	117.94
10	Taxable refunds, credits, or offsets of state and local income taxes	
11	Alimony received	
12	Business income or (loss). Attach Schedule C or C-EZ	
13	Capital gain distributions	

**Box 1b (Qualified dividends)**

Box 1b shows the portion of the amount in Box 1a (Total ordinary dividends) that is QDI-eligible for the reduced 20%, 15%, or 0% tax rate. To claim the reduced tax rate for QDI reported in Box 1b, you must have held your fund shares for at least 61 days during the 121-day period beginning 60 days prior to the ex-dividend date. (Also known as the reinvest date, the ex-dividend date is when the fund's net asset value is adjusted to account for distributions.) Your "personal QDI" is the QDI reported to you in Box 1b, reduced, if necessary, by dividends for which you didn't meet the holding-period requirement. Enter the amount of qualified dividends on Line 9b of your Form 1040 or 1040A.

Vanguard doesn't mail personal QDI statements to shareholders. For help in determining your personal QDI, visit the Tax center on [vanguard.com](http://vanguard.com) to use the "Qualified income dividend calculator," which can calculate qualified dividend income generated by your taxable Vanguard mutual fund shares.

**Box 2a (Total capital gain distributions)**

Box 2a shows the long-term capital gains by fund from your taxable Vanguard mutual fund accounts. See the example in this brochure.

**Box 6 (Foreign tax paid)**

Vanguard has a separate form where this information is reported. It will be sent to those for whom it's applicable.

**Box 10 (Exempt-interest dividends)**

Box 10 reports tax-exempt interest dividends distributed by your Vanguard's municipal bond funds and Vanguard Tax-Managed Balanced Fund. Enter this figure on Line 8b of your Form 1040 or 1040A.

**Box 11 (Specified private activity bond interest dividends)**

Box 11 reports the portion of the amount in Box 10 that is attributable to private activity bonds. Income generated by these types of bonds is one of the "tax preference" items added back to your taxable income to determine if you must pay the alternative minimum tax (AMT). The AMT is a separate tax designed to ensure that all taxpayers pay a minimum amount of income tax by eliminating the special treatment of tax-exempt income and other income deductions. (For information on determining your AMT liability, if any, refer to "Do you owe alternative minimum tax?" in the FAQs.) **Note:** Interest on private activity bonds issued in 2009 or 2010 is not a tax preference item.

In prior years, a separate calculation was required to determine your income attributable to private activity bonds. In most cases, this calculation is no longer necessary. To determine your taxable income for AMT purposes, report the figure from Box 11.

If needed, you can calculate the percentage of your tax-exempt interest dividends attributed to private activity bonds using the information provided on your Form 1099-DIV. To do so, simply divide the figure in Box 11 by the figure in Box 10. For example, if \$100 of tax-exempt interest dividends is reported in Box 10 and \$20 is reported in Box 11, the percentage of tax-exempt income attributed to private activity bonds is 20%.

**Note:** If a fund has reported less than \$10 in tax-exempt interest dividends on your Vanguard year-end account statement, you must calculate the portion of that income attributable to private activity bonds and include it in your AMT calculation. Call us at 877-662-7447 if you need help calculating this additional income attributable to private activity bonds. Our investment professionals are available on business days from 8 a.m. to 10 p.m. and on Saturdays from 9 a.m. to 4 p.m., Eastern time.

**Boxes 12–14 (State, State identification no., State tax withheld)**

These boxes report the amount of state income tax withheld from all of your Vanguard nonretirement mutual fund accounts.

**Frequently asked questions**

**Q. What documents do I need to prepare my individual federal income tax return?**

**A.** For a full accounting of taxable and nontaxable income earned on investments in your Vanguard funds, you or your tax preparer will need (if applicable to your situation) your Form 1099-DIV and your year-end Vanguard account statement. If you don't have—or have misplaced—these documents, you may be unable to file your income tax return accurately. You may request duplicate copies of each of these documents from Vanguard.

**Q. Why didn't I receive a Form 1099-INT?**

**A.** All of the information on tax-exempt interest dividends for mutual funds that was previously reported on Form 1099-INT is now being reported on Form 1099-DIV.

**Q. Do you owe alternative minimum tax (AMT)?**

**A.** Many shareholders won't be subject to the AMT and thus won't be impacted by the investments of Vanguard funds in private activity bonds. However, you're responsible for determining your own AMT liability.

To determine if you're subject to the AMT, first calculate your tax under the regular tax system on your Form 1040. Next, calculate your tax under the AMT system using IRS Form 6251, Alternative Minimum Tax—Individuals. Then compare the results of the two calculations. If the AMT is greater than the regular tax, you pay the difference, as an AMT liability, in addition to your regular tax.

For more information on calculating the AMT, go to [irs.gov](http://irs.gov) or speak with a qualified tax professional.

**Q. Will my tax reporting on Form 1099-DIV change based on the information I provided in the W-9 I returned for the S corporation mailing?**

**A.** Reporting of Form 1099-DIV hasn't changed for S corporations and C corporations. An informational Form 1099-DIV is generated for these types of account owners, but the information isn't filed with the IRS.

**Q. Why aren't all of my funds/accounts listed on the 1099-DIV?**

**A.** Your 1099-DIV reports dividends and capital gains of \$10 or more from taxable mutual fund accounts, as well as tax-exempt interest dividends of \$10 or more distributed by Vanguard's municipal bond funds and Vanguard Tax-Managed Balanced Fund. Income of less than \$10 is reported only on your Vanguard year-end account statement.

**Q. What are qualified dividends?**

**A.** Distributions from U.S. corporations and certain foreign corporations are eligible for reduced tax rates as "qualified dividends."

Mutual funds may distribute qualified dividend income (QDI) to shareholders. Stock and balanced funds are likely to distribute QDI; money market and bond funds don't distribute QDI and, therefore, aren't eligible for lower tax rates.

**A note about Vanguard Brokerage tax statements**

As in past years, you'll continue to receive your Tax Information Statement(s) from Vanguard Brokerage after you receive tax forms associated with Vanguard mutual fund holdings. The IRS has granted Vanguard Brokerage an extension that permits the mailing of statements for nonretirement brokerage accounts through the end of February. Vanguard Brokerage will mail Tax Information Statements (also known as Forms 1099-Consolidated) based on the activity in your account. As a result, tax forms for your Vanguard mutual fund accounts will generally be available before your brokerage tax forms.

Forms 1099-R for retirement brokerage accounts will be mailed and available online by the end of January 2014. For nonretirement brokerage accounts, Tax Information Statement(s) will be mailed and available online by the end of February 2014. The delayed mailing is an effort to reduce the number of corrected Tax Information Statements resulting from income reclassifications by securities issuers and to comply with cost basis legislation changes.

Refer to "See the 2013 tax form schedule" in the Tax center on [vanguard.com](http://vanguard.com) for a full listing of tax forms and their availability.

**Note:** You'll be able to download tax information for your Vanguard Brokerage account into TurboTax® when your Tax Information Statement is mailed and available.

Brokerage assets are held by Vanguard Brokerage Services, a division of Vanguard Marketing Corporation, member FINRA and SIPC.

TurboTax is a trademark of Intuit Inc., registered in the United States and other countries.



## Questions?

If you have questions about the information provided in this tax update, call the number at the top of your Form 1099-DIV and we'll be happy to help you.

Remember that our investment professionals can't provide tax advice, so please consult a tax advisor for specific guidance.

P.O. Box 2600  
Valley Forge, PA 19482-2600

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### Visit our tax center

Go to [vanguard.com/taxcenter](http://vanguard.com/taxcenter) for Vanguard tax-related information, forms, and links to handy tools, such as our "Qualified income dividend calculator."

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