Vanguard mutual fund and brokerage investors

2016 Form 1099-B instructions

A guide to reporting investment capital gains and losses from your 1099-B on your tax return (IRS Form 1040 or 1040A)
When you’ll receive your Forms 1099-B

Vanguard will send you a 1099-B each year that you have investment capital gains or losses in your nonretirement accounts.

• For mutual fund accounts, the form lists sales, exchanges, and redemptions.
• For brokerage accounts, it reports sales, mergers, bond maturities, and aggregate profits, as well as losses on regulated futures contracts.
• Adjusted cost basis for sales of “covered” securities is reported to both you and the IRS. We’re not required to report cost basis to the IRS for “noncovered” securities—only the gross proceeds from any sales of those securities. See the table on page 2 for more information.

Forms will be available on the following dates:

<table>
<thead>
<tr>
<th>Type of nonretirement account</th>
<th>Date available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual fund only</td>
<td>End of January (except Vanguard REIT Index Fund,* which is available in mid-February)</td>
</tr>
<tr>
<td>Brokerage**</td>
<td>End of February</td>
</tr>
</tbody>
</table>

*Real estate investment trusts (REITs) generally can’t calculate their taxable earnings until after the end of the tax year. For this reason, we request an extension from the IRS each year to mail completed 1099-Bs for the REIT Index Fund.

**For brokerage accounts, you’ll receive a separate statement with tax forms.

How to access your tax forms

Tax forms for your Vanguard account will be posted online at vanguard.com. You’ll find your forms in your personal tax center as soon as they’re available. Simply log on to your account, and from the menu, choose My Accounts and select Tax center. Visit vanguard.com/taxcenter for a full listing of tax forms and their anticipated availability.

To get an email each time a tax form is ready, sign up at vanguard.com/edelivery.
How to report capital gains and losses

For mutual fund accounts, your 1099-B lists your account sales, exchanges, and redemptions. For brokerage accounts, your 1099-B lists your sales, mergers, bond maturities, and aggregate profits, as well as losses on regulated futures contracts. If you sold shares from your nonretirement Vanguard mutual fund and/or brokerage account in 2016, you may have realized a capital gain or loss that must be reported on IRS Form 8949 and on Form 1040, Schedule D.

To complete Form 8949 and Schedule D, you must report your gross proceeds and cost basis, your holding period, and your gain or loss. The gross proceeds from the sale will appear on your 1099-B, along with instructions on how to calculate and report the gain or loss on Form 8949 and Schedule D.

You must report sales of covered and noncovered shares

You’re responsible for reporting your cost basis information on Form 8949 and Form 1040, Schedule D, for all shares sold, whether they’re covered or noncovered. For covered shares, in most cases you’ll need to ensure that the information you report on Form 8949 matches what Vanguard reports to the IRS on your 1099-B. (You may, however, modify the basis further if there are any adjustments we haven’t made.) For noncovered shares, you may make any additional adjustments to the basis before you record them on Form 8949, as we didn’t report this basis to the IRS. Regardless of whether the shares are covered or noncovered, it’s important to verify the information against your own records when calculating gains or losses for tax-reporting purposes.

Net short-term capital gains are taxed at ordinary rates; net long-term capital gains are taxed at a preferential rate.

How to choose a cost basis method

For mutual fund accounts, Vanguard uses the average cost method to arrive at an average cost for all noncovered fund shares held in your account up to and including the redemption date. For covered mutual fund shares, you may choose a different method by notifying us in writing (electronically or by mail) so that we’ll apply that method to any future share redemptions.

For brokerage accounts, Vanguard uses first in, first out (FIFO) as the default cost basis method for sales of securities other than mutual funds.
However, depending on your tax situation, it may be more beneficial for you to choose the specific identification (SpecID) method for certain lots. At the time of sale, you’ll have the option to choose between FIFO and SpecID.

Adjustments to cost basis

We’re required to make adjustments to the initial cost basis of covered securities acquired in an account. We’ll adjust the basis of securities for commissions and transfer taxes related to the acquisition of the security and for any organizational actions reported by the issuer. We’ll also adjust the basis of a security issued by a regulated investment company (RIC) or REIT that has undistributed long-term capital gains during the year. We generally won’t adjust for taxes paid on gifts or for transactions, elections, or other events occurring outside the account.

Wash sales: Under IRS tax rules, the deduction of a loss on a wash sale is disallowed. A wash sale occurs when an individual sells or trades a security at a loss and buys a substantially identical stock or security within 30 days before or after the sale. The amount of loss that’s disallowed because of a wash sale is added to the basis of the acquired security.

If both the purchase and sale of an identical security (a security with the same CUSIP number) occur in the same account, Vanguard will adjust the basis of securities held in the account for disallowed losses due to wash sales. Vanguard won’t make the adjustment if a wash sale occurs as a result of:

- The purchase of a substantially identical security that isn’t an identical security.
- A purchase that occurs in a different account than the sale.

Nondividend distributions (return of capital): If you receive a nondividend return of capital distribution, for the purpose of calculating the gain or loss once the security is sold, Vanguard will adjust your cost basis by the amount of the nontaxable distribution.

If the return of capital exceeds your adjusted basis, you generally must recognize any excess as either a long- or short-term capital gain on Form 8949, depending on your holding period. We don’t report return of capital that exceeds your basis on your 1099-B.

You’ll need to review your 1099-DIV, Box 3, to determine if any distributions represent a return of capital.

How Vanguard’s 1099-B is organized

As indicated below, your 1099-B has up to five separate sections to identify whether the cost basis for a particular transaction is reported to you and the IRS, reported only to you, or not available. Each section is included on your 1099-B only if it’s relevant to the activity in your account.

<table>
<thead>
<tr>
<th>Section</th>
<th>Where to report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term transactions for which basis is reported to the IRS.</td>
<td>Box 2 is labeled “Short-term,” and Box 3 is labeled “Basis reported to IRS.” Report on Form 8949, Part I, with Box A checked.</td>
</tr>
<tr>
<td>Short-term transactions for which basis is not reported to the IRS.</td>
<td>Box 2 is labeled “Short-term,” and Box 5 is labeled “Noncovered security.” The information in Boxes 1b, 1e, 1g, and 2 reflects Vanguard’s records and won’t be reported to the IRS. You’re solely responsible for the recordkeeping and accuracy of this information. Report on Form 8949, Part I, with Box B checked.</td>
</tr>
<tr>
<td>Long-term transactions for which basis is reported to the IRS.</td>
<td>Box 2 is labeled “Long-term,” and Box 3 is labeled “Basis reported to IRS.” Report on Form 8949, Part II, with Box D checked.</td>
</tr>
<tr>
<td>Long-term transactions for which basis is not reported to the IRS.</td>
<td>Box 2 is labeled “Long-term,” and Box 5 is labeled “Noncovered security.” The information in Boxes 1b, 1e, 1g, and 2 reflects Vanguard’s records and won’t be reported to the IRS. You’re solely responsible for the recordkeeping and accuracy of this information. Report on Form 8949, Part II, with Box E checked.</td>
</tr>
<tr>
<td>Transactions for which basis is not reported to the IRS and for which short-term or long-term determination is unknown (to Vanguard).</td>
<td>You must determine if short-term or long-term and report on Form 8949, Part I, with Box B checked, or on Form 8949, Part II, with Box E checked.</td>
</tr>
</tbody>
</table>
Example: How to report a sale of shares purchased over time

In the example below, you’ve purchased 500 shares of Vanguard 500 Index Fund over time. You then sell all 500 shares in one transaction. We must report the sale on your 1099-B in the format described on page 3, and you must report it to the IRS on Form 8949 and on Schedule D in the appropriate sections.

Where to enter information for gains/losses

Use the appropriate 1099-B, your records, and the instructions below to complete IRS Form 8949 and Schedule D for short-term covered securities and/or long-term noncovered securities. The letters below, and the corresponding letters in the images on pages 5 and 6, will help you determine where to enter data from your 1099-B to Form 8949 and Schedule D. The sample forms used in this brochure are for illustration only.

Enter the details of each transaction on a separate line of Form 8949 (see the actual form for more detailed instructions and for exceptions). Use as many Forms 8949 as needed.

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Quantity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>300</td>
<td>1/2/2009</td>
</tr>
<tr>
<td>Buy</td>
<td>100</td>
<td>3/3/2016*</td>
</tr>
<tr>
<td>Buy</td>
<td>100</td>
<td>4/4/2016*</td>
</tr>
<tr>
<td>Sell</td>
<td>500</td>
<td>11/3/2016</td>
</tr>
</tbody>
</table>

* A sale that represents multiple acquisition dates should be reported as “various” in column (b) on Form 8949.

**A** Description of property. Enter the description shown on your 1099-B, Box 1a.

**B** Date acquired. Enter the date you purchased your shares shown on your 1099-B, Box 1b.*

**C** Date sold. Enter the date of the sale or exchange shown on your 1099-B, Box 1c.

**D** Proceeds. Enter the value reported to you on your 1099-B, Box 1d.

**E** Cost or other basis. Enter the value shown on your 1099-B, Box 1e, if available. Otherwise, use records such as statements, transaction history, and tax returns to obtain cost information.

**F** Accrued market discount. Enter any adjustments to gain or loss shown on your 1099-B, Box 1f.

**G** Wash sale loss disallowed. Enter any adjustments to gain or loss shown on your 1099-B, Box 1g.

**H** Gain/Loss. Enter the amount reported to you under the Gain/Loss column on your 1099-B.

After subtotaling columns (d), (e), and (g), populate column (h) with this amount on Form 8949, then transfer the figures to those same columns on Schedule D.
### Example: How to report a sale of mutual fund shares

**Short-term covered securities**

**Form 1099-B**

<table>
<thead>
<tr>
<th>Description of property (Box 1a)</th>
<th>Basis (Box 1c)</th>
<th>Date acquired (Box 1d)</th>
<th>Date sold or disposed (Box 1e)</th>
<th>Proceeds (Box 1f)</th>
<th>Adjustments (Box 1g)</th>
<th>Gain or (loss) (Box 1h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>200 sh. 500 Index Fund Inv</td>
<td></td>
<td>11/03/2016</td>
<td></td>
<td>36,276.00</td>
<td></td>
<td>-3,486.00</td>
</tr>
</tbody>
</table>

**Form 8949**

- **Part I** Short-Term Capital Gains and Losses—Assets Held One Year or Less
- **Part II** Short-term transactions not reported on Form 1099-B
- **Part IIIB** Index Fund Inv

**Long-term noncovered securities**

**Form 1099-B**

<table>
<thead>
<tr>
<th>Description of property (Box 1a)</th>
<th>Basis (Box 1c)</th>
<th>Date acquired (Box 1d)</th>
<th>Date sold or disposed (Box 1e)</th>
<th>Proceeds (Box 1f)</th>
<th>Adjustments (Box 1g)</th>
<th>Gain or (loss) (Box 1h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>200 sh. 500 Index Fund Inv</td>
<td></td>
<td>11/03/2016</td>
<td></td>
<td>36,276.00</td>
<td></td>
<td>-3,486.00</td>
</tr>
</tbody>
</table>

**Form 8949**

- **Part I** Long-Term Capital Gains and Losses—Assets Held More Than One Year
- **Part II** Long-term transactions not reported on Form 1099-B
- **Part IIIB** Index Fund Inv

**Schedule D**

- **Part I** Long-Term Capital Gains and Losses—Assets Held More Than One Year
- **Part II** Long-term transactions not reported on Form 1099-B
- **Part IIIB** Index Fund Inv

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*Note: The above content is a simplified representation of the forms and instructions for reporting capital gains and losses. For detailed information, please refer to the IRS Form 1099-B and Schedule D instructions.*
**Example: How to report a sale of stock shares**

**Short-term covered securities**

**Form 1099-B**

**SCHEDULE D (Form 1040)**

- **SEPTEMBER 2016**
- **Department of the Treasury/ Internal Revenue Service**
- **Final Draft**
- **Schedule D**

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

**Form(s) 1099-B**

- **Camel No. 1545-0074**
- **Attachment**

**Form(s) 8949**

- **2016 Form 1099-B**
- **Proceeds From Broker and Barter Exchange Transactions**

**Schedule D**

**Capital Gains and Losses**

**Part II**

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

**Form 8949**

- **Sales and Other Dispositions of Capital Assets**

**Important Notice**

- **Noncovered security (Box 5)**
- **Social security number or taxpayer identification number**

**Important Tax Document**

- **Form(s) 8949**

**Attach Form 8949 to Form 1040.**

**Important Notice**

- **Proceeds From Broker and Barter Exchange Transactions**

**Form 1099-B**

- **Proceeds From Broker and Barter Exchange Transactions**

**Schedule D**

- **Capital Gains and Losses**

**Part II**

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

**Important Notice**

- **Noncovered security (Box 5)**
- **Social security number or taxpayer identification number**

**Important Tax Document**

- **Proceeds From Broker and Barter Exchange Transactions**

**Form 1099-B**

- **Proceeds From Broker and Barter Exchange Transactions**

**Schedule D**

- **Capital Gains and Losses**

**Part II**

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

**Important Notice**

- **Noncovered security (Box 5)**
- **Social security number or taxpayer identification number**

**Important Tax Document**

- **Proceeds From Broker and Barter Exchange Transactions**
Frequently asked questions

Q. I track my own cost basis. Do I have to use Vanguard’s information?

A. For shares of noncovered securities that you’ve sold, we’ll report the information to you on your 1099-B, when available. However, we won’t report any basis information to the IRS that we have on noncovered shares. For these shares, you must determine the cost basis information, and you may use another cost basis method if you meet the requirements.

For covered shares, you must use our default cost basis method unless you provided us with another cost basis method at the time of the sale. However, what we’re required to report to the IRS may differ from what you must report to the IRS, and you may need to make adjustments on Form 8949. Having your own records will help you make these adjustments, if any are needed.

Q. What adjustments haven’t been made to my cost basis?

A. Brokers are only required to make some of the possible wash sale adjustments that you must consider to file your income tax return. We won’t make wash sale adjustments when the purchases and sale occur in different accounts or when they’re between substantially identical securities that have different CUSIP numbers. We also won’t make the following adjustments:

• Constructive sales and mark-to-market adjustments.
• RIC and REIT adjustments with respect to certain short-term losses.
• Hedging transactions or offsetting positions.

Q. How is a wash sale reported?

A. When a security is sold for a loss and a “substantially identical” security is purchased up to 30 days before or after the date of the sale, the loss is disallowed and can’t be deducted. The disallowed loss is added to the basis of the purchased security (as reported in Box 1e on your 1099-B), thereby reducing future gains or increasing future losses. Vanguard will make some, but not all, of the adjustments for wash sales.

Where to go for assistance

Check with the IRS

Refer to IRS Publication 550, Investment Income and Expenses (available online at irs.gov), or call the IRS at 800-829-1040.

Call Vanguard

If you have questions about the information provided in this guide, call the number at the top of your 1099-B, and we’ll be happy to help you. If your tax situation is complex or if you’re uncertain about how to interpret a specific tax rule, consult a qualified tax professional; Vanguard professionals can’t provide tax advice. You can find general tax-preparation data and tools at vanguard.com/taxcenter.