

Vanguard mutual fund investors

2018 Form 1099-DIV Reference Guide

A guide to reporting Vanguard mutual fund dividends and capital gains distributions from your Form 1099-DIV on your federal income tax return (IRS Form 1040)



When you'll receive your Forms 1099-DIV

Vanguard will send you a Form 1099-DIV each year any of the following are true:

- You earned at least \$10 in taxable dividends and capital gains distributions from your taxable mutual fund holdings.
- You earned at least \$10 in tax-exempt interest dividends from your Vanguard municipal bond funds or Vanguard Tax-Managed Balanced Fund Admiral™ Shares.
- Federal or foreign taxes were withheld from any distribution.

Forms will be available on the following dates:

Type of nonretirement account	Date available
Mutual fund only	End of January (Except Vanguard Real Estate Index Fund* and Vanguard Managed Payout Fund**, which will be available in mid-February)

*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 Form 1099-DIVs for the Vanguard Real Estate Index Fund.

**Form 1099-DIV for the Vanguard Managed Payout Fund will mail separately from the Form 1099-DIV for other funds due to income reallocations after year-end. For this reason, we've requested an extension from the IRS for the 2018 tax year to mail completed Forms 1099-DIV for the Vanguard Managed Payout Fund.

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.

You must report ALL distributions to the IRS

- You'll receive a Form 1099-DIV this year if you earned \$10 or more in dividends or capital gains from your mutual fund holdings. For distributions of less than \$10, refer to your year-end account statement.
- Although tax-exempt interest dividends from Vanguard municipal bond funds and Vanguard Tax-Managed Balanced Fund Admiral Shares are generally exempt from federal income tax, you must still report these earnings on your federal income tax return.

How Vanguard's Form 1099-DIV is organized

Read these instructions carefully so that you can accurately report your distributions.

Box 1a (Total ordinary dividends)

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

You must report ordinary dividends on line 3b of Form 1040. If the total of all ordinary dividends (Box 1a) received from all your taxable investments is more than \$1,500, you must list each ordinary dividend income source on Schedule B of Form 1040.

Box 1b (Qualified dividends)

Box 1b shows the portion of the amount in Box 1a (Total ordinary dividends) that's eligible for the reduced qualified dividend income (QDI) tax rate (20%, 15%, or 0%, depending on your modified adjusted gross income and taxable income). To claim this reduced tax rate, you must have held your fund shares for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. The ex-dividend date (also known as the "reinvest date") is when the fund's net asset value is adjusted to account for a distribution. 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 3a of your Form 1040. Qualified dividends are also included in the total ordinary dividend amount required on line 3b.

Box 2a (Total capital gain distributions)

Box 2a shows the long-term capital gains by fund from your taxable Vanguard mutual fund holdings. See the example on page 4. How you report them will depend on whether you're required to file Schedule D.

If you're required to file Schedule D

You must report your total capital gains on Schedule D of Form 1040, unless both of the following exceptions apply:

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

If you're not required to file Schedule D

Enter your total capital gains (Box 2a) from all your taxable investments on line 13 of Schedule 1 of Form 1040 and check the box on that line.

Box 5 (Section 199A dividends)

This box is new to the Form 1099-DIV for 2018. If applicable to your holding, this amount represents either qualified real estate investment trust (REIT) dividends or qualified publicly traded partnership (PTP) income. As of this publication date, certain aspects of the law relating to a taxpayer's eligibility to claim the 20% deduction for qualified REIT dividends and qualified PTP income are unclear, pending further IRS guidance. You should consult a qualified tax professional about your eligibility to claim the 20% deduction for these box 5 amounts.

Box 7 (Foreign tax paid)

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

Box 11 (Exempt-interest dividends)

Box 11 reports tax-exempt interest dividends distributed by Vanguard municipal bond funds and Vanguard Tax-Managed Balanced Fund Admiral Shares. Enter this figure on line 2a of your Form 1040.

Box 12 (Specified private activity bond interest dividends)

Box 12 reports the portion of the amount in Box 11 that's 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 I owe alternative minimum tax?" on page 5.

In prior years, a separate calculation was required to determine how much of your income was 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 12.

If needed, you can calculate the percentage of your tax-exempt interest dividends attributable to private activity bonds using the information provided on your Form 1099-DIV. To do so, simply divide the figure in Box 12 by the figure in Box 11. For example, if \$100 of tax-exempt interest dividends is reported in Box 11 and \$20 is reported in Box 12, the percentage of tax-exempt income attributable to private activity bonds is 20%.

If a fund reports 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 800-662-2739 if you need help calculating the additional income attributable to private activity bonds. Investment professionals are available Monday through Friday from 8 a.m. to 10 p.m., Eastern time.

Boxes 13–15 (State, State identification number, State tax withheld)

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

Example: How to report dividends and capital gains distributions

In the example on the next page, the investor is required to file Schedule D and has received the following mutual fund distributions:

Health Care Fund Inv

- **\$126.84 in ordinary dividends, as shown in Box 1a (Total ordinary dividends).** The investor reports amounts shown in Box 1a on all 1099-DIVs from all sources in either Part II of Schedule B (where each Vanguard mutual fund is reported separately on its own line), which flows through to line 3b on Form 1040, or directly on line 3b if Schedule B isn't required.
- **\$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 3a of Form 1040, 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, which flows to line 13 on Schedule 1 of Form 1040.

High-Yield Tax-Exempt Fund Inv

- **\$820.62 in tax-exempt interest dividends, as shown in Box 11 (Exempt-interest dividends).** The investor reports the sum of all tax-exempt interest dividends from all sources on line 2a of Form 1040.

Example: How to report dividends and capital gains distributions

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2018** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status: Single Married filing jointly Married filing separately Head of household Qualifying widow(er)

Your first name and initial: **SAMPLE** Last name: **SHAREHOLDER** Your social security number: **XXX | XX | 1234**

Your standard deduction: Someone can claim you as a dependent You were born before January 2, 1954 You are blind

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

Spouse standard deduction: Spouse (enter on 1040)

1 Wages, salaries, tips, etc. Attach Form(s) W-2		1	
2a Tax-exempt interest	820 62	2b	
3a Qualified dividends	117 94	3b	126 84
4a IRAs, pensions, and annuities		4b	
5a Social security benefits		5b	
6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22		6	
7 Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6		7	
8 Standard deduction or itemized deductions (from Schedule A)		8	

IMPORTANT TAX DOCUMENT

Vanguard
Contact Info: 800-662-2739

RECIPIENT'S TIN: XXX-XX-1234

SAMPLE SHAREOWNER
PO BOX 2600
VALLEY FORGE PA 19482-2600

2018 Form 1099-DIV
Dividends and Distributions

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

Copy B For Recipient
OMB No. 1545-0110

Fund Name	PAYER'S TIN	Recipient Account number	State (Box 13)	State identification no. (Box 14)
HIGH-YIELD TAX-EXEMPT INV	0.00	0.00	0.00	0.00
HEALTH CARE FUND INV	126.84	117.94	215.27	

SCHEDULE 1 (Form 1040) Additional Income and Adjustments to Income OMB No. 1545-0074 **2018** Attachment Sequence No. 01

Department of the Treasury Internal Revenue Service (99) **2018** Attach to Form 1040. Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040: _____ Your social security number: _____

1-9b Reserved		1-9b	
10 Taxable refunds, credits, or offsets of state and local income taxes		10	
11 Alimony received		11	
12 Business income or (loss). Attach Schedule C or C-EZ		12	
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13	215 27
14 Other gains or (losses). Attach Form 4797		14	
15a Reserved		15b	
16a Reserved		16b	
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
18 Farm income or (loss). Attach Schedule F		18	
19 Unemployment compensation		19	
20a Reserved		20b	
21 Other income. List type and amount		21	
22 Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23		22	215 27
Adjustments to Income		23	
23 Educator expenses		23	
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2107		24	
25 Moving expenses (if you are a member of the Armed Forces (including the Reserve of the Armed Forces and National Guard))		25	

SCHEDULE D (Form 1040) Capital Gains and Losses OMB No. 1545-0074 **2018** Attachment Sequence No. 12

Department of the Treasury Internal Revenue Service (99) **2018** Attach to Form 1040 or Form 1040NR. Go to www.irs.gov/ScheduleD for instructions and the latest information. 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—Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below.

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Part II Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)

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.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b				
8b Totals for all transactions reported on Form(s) 8949 with Box D checked				
9 Totals for all transactions reported on Form(s) 8949 with Box E checked	54,405.00	26,211.00		28,194.00
10 Totals for all transactions reported on Form(s) 8949 with Box F checked				
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824				
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				
13 Capital gain distributions. See the instructions				215.27
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				
15 Net long-term capital gain or (loss). Combine lines 8a through 14				

SCHEDULE B (Form 1040) Interest and Ordinary Dividends OMB No. 1545-0074 **2018** Attachment Sequence No. 08

Department of the Treasury Internal Revenue Service (99) **2018** Attach to Form 1040. Go to www.irs.gov/ScheduleB for instructions and the latest information.

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

Part II Ordinary Dividends

(See instructions and the instructions for Form 1040, line 3b.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

5 List name of payer	HEALTH CARE FUND INV	126 84
6 Add the amounts on line 5. Enter the total here and on Form 1040, line 3b		126 84

Part III Foreign Accounts and Trusts

7a At any time during 2018, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions

Yes	No
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Frequently asked questions

Q. What documents do I need in order 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 all of your tax forms, including your Form 1099-DIV and year-end Vanguard account statement. If you don't have these documents, you can download them when you log on to your account at vanguard.com/taxinfo.

Q. Why aren't all of my fund holdings listed on the 1099-DIV?

A. Your Form 1099-DIV reports dividends and capital gains of \$10 or more from your taxable mutual fund holdings, as well as tax-exempt interest dividends of \$10 or more from Vanguard municipal bond funds and Vanguard Tax-Managed Balanced Fund Admiral Shares. For distributions of less than \$10, refer to your 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. However, money market and bond funds don't distribute QDI and therefore aren't eligible for lower tax rates.

Q. Do I owe alternative minimum tax?

A. Many shareholders won't be subject to the alternative minimum tax (AMT) and therefore won't be affected by the investments of Vanguard funds in private activity bonds. However, you're responsible for determining your own AMT liability.

To do so, 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 or speak with a qualified tax professional.

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 Form 1099-DIV 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.