How to use your 2014 Form 1099-B from Vanguard

Tax-preparation assistance for our mutual fund and brokerage investors
Each year that you have investment capital gains or losses in your nonretirement accounts, Vanguard will issue a Form 1099-B to help you report them on your tax return. The form lists sales, exchanges, and redemptions from most mutual fund accounts. For brokerage accounts, it reports sales, mergers, bond maturities, and aggregate profits as well as losses on regulated futures contracts.

New cost basis information reported on your Form 1099-B

As part of the Emergency Economic Stabilization Act of 2008, the federal government introduced new tax-reporting requirements for financial institutions. Vanguard and other broker-dealers are now required to report the adjusted cost basis for “covered” securities (see table at right) sold in taxable accounts to their clients and to the IRS on Form 1099-B. For “noncovered” securities, Vanguard continues to report cost basis information only to our clients.

The new reporting requirements, which took effect in 2011, are being phased in according to the table at right.
<table>
<thead>
<tr>
<th>Type of holding</th>
<th>Covered</th>
<th>Noncovered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks.*</td>
<td>Acquired on or after January 1, 2011</td>
<td>Generally, acquired before January 1, 2011</td>
</tr>
<tr>
<td>Exchange-traded funds (ETFs) organized as unit investment trusts (UITs).*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vanguard mutual funds and other funds (excluding money market funds).</td>
<td>Acquired on or after January 1, 2012</td>
<td>Generally, acquired before January 1, 2012</td>
</tr>
<tr>
<td>ETFs organized as regulated investment companies other than UITs, such as Vanguard ETFs®</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks acquired through a dividend reinvestment plan (DRIP).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less complex bonds.**</td>
<td>Acquired on or after January 1, 2014</td>
<td>Generally, acquired before January 1, 2014</td>
</tr>
<tr>
<td>Most options.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More complex bonds.***</td>
<td>Acquired on or after January 1, 2016</td>
<td>Generally, acquired before January 1, 2016</td>
</tr>
<tr>
<td>Certain options involving more complex bonds.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*If your stock or ETF organized as a UIT is part of a DRIP, it isn’t considered covered unless it was acquired on or after January 1, 2012. If you’re not sure whether this applies to your ETF, check with your issuer.

**Generally, these are bonds and other debt obligations with fixed yield and maturity dates.

***Generally, these are bonds and other debt obligations without fixed yield and maturity dates.

Please note:

- We’re not required to report cost basis to the IRS for noncovered securities—only the gross proceeds from any sales of those securities.
- For details on fixed income reporting requirements, please refer to our Tax Information Statement reference guide (available at vanguard.com/taxinfo).
How to report capital gains and losses

For mutual fund accounts, your Form 1099-B lists your account sales, exchanges, and redemptions. For brokerage accounts, your Form 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 2014, 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 gain or loss. The gross proceeds from the sale will appear on your Form 1099-B, along with instructions on how to calculate and report the gain or loss on Form 8949 and Schedule D.

You must report covered and noncovered shares

Please note that you’re responsible for reporting your cost basis information on IRS 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 Form 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 while net long-term capital gains are taxed at a preferential rate.

A note about cost basis methods

For mutual fund accounts, Vanguard uses the average cost method to arrive at an average cost for all 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 may 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 certain 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 real estate investment trust (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, within 30 days before or after this sale, buys a substantially identical stock or security. The amount of loss that’s disallowed due to 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) occur on the same account, Vanguard will adjust the basis of securities held in an 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 Form 1099-B.

Please review your Form 1099-DIV, Box 3, to determine if any distributions represent a return of capital.
S corporation reporting

Vanguard (and other brokers) are now reporting sales of covered securities (shares acquired on or after January 1, 2012) by an S corporation on Form 1099-B.

We’re required to treat your corporation as an S corporation unless we received a Form W-9 indicating that it’s a C corporation.

REIT Index Fund Form 1099-B 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-B for this fund, which we mail (with IRS approval) in February. Filing your tax returns prior to receiving this form may require filing amended returns and may result in the payment of additional taxes.
How Vanguard’s Form 1099-B is organized

As indicated below, Form 1099-B has up to five separate sections to clearly 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 Form 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, 2, 1e, and 1g 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, 2, 1e, and 1g 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. Prior to 2012, the proceeds were reported to you in one section on Form 1099-B, but this is no longer the case. The sale must now be reported by us on Form 1099-B in the format described on page 5, and you must report it to the IRS on Form 8949 and on Schedule D in the appropriate sections.

Transaction | Quantity | Date  
--- | --- | ---  
Buy | 300 | 1/2/2009  
Buy | 100 | 3/3/2014*  
Buy | 100 | 4/2/2014*  
Sell | 500 | 11/3/2014  

Long-term noncovered:  
- Reported to you on Form 1099-B under Long-term transactions.  
- Reported to the IRS on Form 8949, Part II with Box E checked.

Short-term covered:  
- Reported to you on Form 1099-B under Short-term transactions.  
- Reported to the IRS on Form 8949, Part I with Box A checked.

*A sale that represents multiple acquisition dates should be reported as “various” in column (b) on Form 8949.
Where to enter information for gains/losses

Use the appropriate Form 1099-B, your personal 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 8–11, will help you determine where to enter data from Form 1099-B to Form 8949 and Schedule D. **Note:** 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.

**Note:** We’ve added fund and security totals (for investments sold in multiple lots) and a “Gain/Loss” column to your 2014 Form 1099-B for your convenience in filing your tax return.

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

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

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

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

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

**F** **Code, if any.** Enter the code (“D” or “W,” for example), if any, reported to you on Form 1099-B, Box 1f.*

**G** **Adjustments to gain or loss, if any.** Enter any adjustments to gain or loss shown on your Form 1099-B, Box 1g.

Adjustments are generally due to the adjusting code shown in Box 1f.

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

After subtotaling columns (d), (e), and (g), populate column (h) with this amount on Form 8949, transfer the figures to those same columns on Schedule D.

*“D” indicates a market discount and applies only to certain brokerage transactions. “W” indicates a wash sale.
Example: How to report a sale of mutual fund shares

Short-term covered securities

**Form 1099-B**

**Form 8949**

**Schedule D**

**2014 Form 1099-B**

**Proceeds From Broker and Barter Exchange Transactions**

**RECIPIENT’S identification number:** XXX-XX-9999

**PAYER’S federal identification number:** 88-88-8888

**Date sold or disposed (Box 1a):** 1/1/2014

**Date Acquired (Box 1b):** 12/31/2013

**Cost or other basis (Box 1c):** $10,000

**Proceeds (sales price):** $12,000

**Alignment of gain or loss:**

- **Gain or (loss):** $2,000

**Other information:**

- **Shareholder:** John Doe

**Charity received:** None

**Details of the transaction:**

- **Type of transaction:** Short-term

**Form 8949**

**Sales and Other Dispositions of Capital Assets**

**Information about Form 8949 and its separate instructions is at www.irs.gov/form8949.**

**File with Schedule D to list your transactions for lines 1b, 2, 3b, 5b, 6b, 9, and 10 of Schedule D.**

**Part I**

**Short-Term Transactions involving capital assets you held 1 year or less are short-term. For long-term transactions, see page 2.**

**Note:** You may aggregate all short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the total directly on Schedule D, line 1a; you are not required to report these transactions on Form 8949 (see instructions).

**Part II**

**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.**

**1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which no adjustments or codes are required, enter in the Total column of line 1a on Schedule D.**

**1b Totals for all transactions reported on Form(s) 8949 with Box A checked.**

**2 Totals for all transactions reported on Form(s) 8949 with Box B checked.**

**2014 Form 8949**

**OPEI No. 1545-0074**

**Department of the Treasury Internal Revenue Service**

**Schedule D**

**2014 Attachment Sequence No. 12**

**Your social security number:** XXX-XX-9999

**Sample Shareholder:** John Doe

**Charity received:** None

**Details of the transaction:**

- **Type of transaction:** Short-term
Long-term noncovered securities

Form 1099-B

IMPORTANT TAX DOCUMENT

Recipient's identification number: XXX-XX-9999

Vanguard Contact Info: 800-662-2139

Proceeds From Broker and Barter Exchange Transactions

P.O. Box 2560 Valley Forge, PA 19482 - 2560

Copy B For Recipient OMB No. 1545-0715

Description of property (Box 1a)

Form 8949 (2014)

Schedule D

Example: How to report a sale of mutual fund shares
Example: How to report a sale of stock shares

Short-term covered securities

Form 1099-B

Sales and Other Dispositions of Capital Assets

Form 8949

Schedule D

Capital Gains and Losses

SCHEDULE D

(Form 1040)

Your social security number

XXX-XX-9999

Part 1

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.

1a Totals for all short-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 1b.

1b Totals for all transactions reported on Form(s) 8949 with Box A checked.

2 Totals for all transactions reported on Form(s) 8949 with Box B checked.
## Long-term noncovered securities

### Form 1099-B

#### 2014 Form 1099-B

**Proceeds From Broker and Barter Exchange Transactions**

<table>
<thead>
<tr>
<th>Description of property (box 1a)</th>
<th>CUSIP number</th>
<th>Stock or other symbol</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quantity sold</th>
<th>Date sold or disposed (box 14)</th>
<th>Date acquired (box 15)</th>
<th>Proceeds (box 16)</th>
<th>Cost or other basis (box 17)</th>
<th>Adjustments (box 18)</th>
<th>Gain / (Loss) (box 19)</th>
<th>Federal income tax withheld (box 20)</th>
<th>State income tax withheld (box 21)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
- Any stock or other securities
- You may combine long-term capital gain securities and report them as one long-term capital gain transaction.
- You should also report any long-term noncovered securities on Schedule D (Form 1099-B).

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## Form 8949

### Part I

**Long-Term.** Transactions involving capital assets you held more than 1 year are long term. For short-term transactions, see page 1.

**Note:** You may aggregate all long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the total directly on Schedule D, line 8a; you are not required to report these transactions on Form 8949 (see instructions).

**You must check Box D, E, or F below. Check only one box.** If more than one box applies for your long-term transactions, complete a separate Form 8949, page 2, for each applicable box. If you have more long-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

**D** Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)

**E** Long-term transactions reported on Form(s) 1099-B showing basis was not reported to the IRS

**F** Long-term transactions not reported on Form 1099-B

#### 1

* Description of property (Example: 100 sh. XYZ Co.)
* Date acquired (Mo., day, yr.)
* Date sold or disposed (Mo., day, yr.)
* Proceeds (taxable price) (see instructions)
* Cost or other basis (see instructions)
* Adjustments, if any, to gain or loss
* Gain or (loss) (total column (g))

<table>
<thead>
<tr>
<th>Description of property</th>
<th>Date acquired</th>
<th>Date sold or disposed</th>
<th>Proceeds</th>
<th>Cost or other basis</th>
<th>Adjustments</th>
<th>Gain or (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>300 sh. IBM Corp.</td>
<td>01/02/2009</td>
<td>11/03/2014</td>
<td>54,405.00</td>
<td>26,211.00</td>
<td></td>
<td>28,194.00</td>
</tr>
</tbody>
</table>

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## Schedule D

### 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. The form may be easier to complete if you round off cents to whole dollars.

**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.

**10** Totals for all transactions reported on Form(s) 8949 with Box F checked.

**11** Gain or (loss) from Form(s) 8949, Part II—long-term gain from Forms 4797 and 8949 and long-term gain or (loss) from Forms 4849, 5671, and 8824.

**12** Net long-term gain or (loss) from Form(s) 8949, Part II.
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 may have sold, we’ll report the information to you on Form 1099-B, when available. However, we won’t report any basis information that we have on noncovered shares to the IRS. 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, it’s important to understand that what we’re required to report to the IRS may be different from what you must report to the IRS, and you may need to make adjustments on Form 8949. Having your own records will certainly help you make these adjustments, if any are needed.

Q. What adjustments haven’t been incorporated into my cost basis?

A. Brokers are only required to make some of the possible wash sale adjustments that must be considered in order 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 CUSIPs. 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. (See IRS Publication 550.)

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 on Form 1099-B, Box 1e), 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

Contact the IRS
For additional information, please refer to IRS Publication 550, Investment Income and Expenses (available online at irs.gov or by calling the IRS at 800-829-3676).

Call us
If you have questions about the information provided in this tax update, call the number at the top of your Form 1099-B 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.

Visit our website
Go to vanguard.com/taxinfo for Vanguard tax-related information, forms, and the Tax Information Statement reference guide (for brokerage holdings).

Brokerage tax information, including our Tax Information Statement reference guide, will be available online in mid- to late February.

Want to access your Vanguard tax forms and tax brochures as soon they become available? Sign up for e-delivery at vanguard.com/edelivery.