

# How to use your 2014 Form 1099-DIV from Vanguard

Tax-preparation assistance  
for our mutual fund investors  
who receive dividends and  
capital gains



**Vanguard**<sup>®</sup>

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

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 Form 1099-DIV are now used for reporting the information that was previously reported on Form 1099-INT. There are three additional boxes (12–14) for reporting state tax withholding. Look for more in-depth descriptions of these boxes on pages 2 and 3 of this brochure, followed by an illustration of Form 1099-DIV and directions for how to use it to complete your Form 1040 or 1040A.

## Instructions for Form 1099-DIV

We use Form 1099-DIV to report 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 from Vanguard municipal bond funds and Vanguard Tax-Managed Balanced Fund. We report income of less than \$10 on your year-end account statement. You must report all your dividends and capital gains on your federal tax return.

*Although tax-exempt interest dividends from Vanguard 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.*

### **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.

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. 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.

### Box 1b (Qualified dividends)

Box 1b shows the portion of the amount in Box 1a (Total ordinary dividends) that's QDI-eligible for the reduced 20%, 15%, or 0% tax rate. To claim the reduced tax rate for QDI (qualified dividend income) 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 determining your personal QDI, use the "Vanguard Qualified Dividend Income Tax Tool," which can calculate qualified dividend income generated by your taxable Vanguard mutual fund shares. (To locate the tool, go to [vanguard.com/taxinfo](http://vanguard.com/taxinfo) and, under Information for specific Vanguard funds, select **More**. Then select **Calculate your qualified dividend income**.)

### 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 on page 4.

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:

- 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), 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 taxes due on these amounts.

### Box 6 (Foreign tax paid)

Vanguard has a separate form to report this information. 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 Vanguard 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'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 6.)

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 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 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 **877-662-7447** if you need help calculating the additional income attributable to private activity bonds.

### 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.

## Reporting mutual fund distributions and dividends

**IMPORTANT TAX DOCUMENT**

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

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

SAMPLE SHAREOWNER  
PO BOX 2600  
VALLEY FORGE PA 19482-2600

**2014 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 federal identification number		Recipient Account number		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 identification no. (Box 13)	State tax withheld (Box 14)
	Total ordinary dividends (Box 1a)	Qualified dividends (Box 1b)	Total capital gain distr. (Box 2a)	Unrecap. Sec. 1250 gain (Box 2b)						
HIGH-YIELD TAX-EXEMPT INV	0.00	0.00	0.00	0.00	0.00	0.00	820.62	94.04		0.00
HEALTH CARE FUND INV	126.84	117.94	215.27	0.00	0.00	0.00	0.00	0.00		0.00

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

**2014**  
Attachment Sequence No. 12

Department of the Treasury Internal Revenue Service (99) **2014**  
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 this page. If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back.

**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.

	(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)
<b>8a</b> 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.				
<b>8b</b> Totals for all transactions reported on Form(s) 8949 with Box D checked.				
<b>9</b> Totals for all transactions reported on Form(s) 8949 with Box E checked.				
<b>10</b> Totals for all transactions reported on Form(s) 8949 with Box F checked.				
<b>11</b> 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.				11
<b>12</b> Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1.				12
<b>13</b> Capital gain distributions. See the instructions.				13 215.27
<b>14</b> Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions.				
<b>15</b> Net long-term capital gain or (loss). Combine lines 11 through 14.				

**SCHEDULE B (Form 1040A or 1040)** **Interest and Ordinary Dividends** OMB No. 1545-0074

**2014**

Department of the Treasury Internal Revenue Service (99) **2014**  
Information about Schedule B and its separate instructions is at [www.irs.gov/scheduleb](http://www.irs.gov/scheduleb). If you are a partner in a partnership, you must complete Part III.

**Part II Ordinary Dividends**

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)

**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	Amount
	HEALTH CARE FUND INV	126.84
<b>6</b>	Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a.	126.84

**Note.** If line 6 is over \$1,500, you must complete Part III.

**Form 1040 U.S. Individual Income Tax Return** OMB No. 1545-0074

**2014**

Department of the Treasury—Internal Revenue Service (99) **2014**  
For the year Jan. 1-Dec. 31, 2014, or other tax year beginning \_\_\_\_\_, 2014, 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 (street) \_\_\_\_\_ Add numbers on lines above

Income	7	8a	8b	9a	9b	10	11	12	13
Wages, salaries, tips, etc. Attach Form(s) W-2.									
<b>8a</b> Taxable interest. Attach Schedule B if required.									
<b>b</b> Tax-exempt interest. Do not include on line 8a.			820.62						
<b>9a</b> Ordinary dividends. Attach Schedule B if required.									
<b>b</b> Qualified dividends.				117.94					126.84
<b>10</b> Taxable refunds, credits, or offsets of state and local income taxes.									
<b>11</b> Alimony received.									
<b>12</b> Business income or (loss). Attach Schedule C or C-EZ.									
<b>13</b> Capital gain or (loss). Attach Schedule D or D-EZ.									

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

### Vanguard 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 Part II of Schedule B (Form 1040 or 1040A), or on line 9a of Form 1040 or 1040A 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 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).

### Vanguard High-Yield Tax-Exempt Fund

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

## 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 (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 accurately file your income tax return. You can request duplicate copies of each of these documents from Vanguard.

### **Q. Why didn't I receive 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 I owe alternative minimum tax?**

**A.** Many shareholders won't be subject to the AMT and therefore 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 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](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 or 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.** We use Form 1099-DIV to report 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 from Vanguard municipal bond funds and Vanguard Tax-Managed Balanced Fund. We report income of less than \$10 on 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; money market and bond funds don't distribute QDI and therefore aren't eligible for lower tax rates.

## 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 this fund, which we'll mail (with IRS approval) in February. Filing your tax returns prior to receiving this form may require you to file amended returns and result in the payment of additional taxes.

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 Forms 1099-DIV for the REIT Index Fund after the normal deadline of January 31.

## When you'll receive your tax forms

### Nonretirement mutual fund accounts

Vanguard mails the majority of our mutual fund shareholders' tax forms in mid-January. We also post them online at [vanguard.com](http://vanguard.com) at the same time.

### Nonretirement brokerage accounts

As in past years, you'll continue to receive your Tax Information Statement(s) from Vanguard Brokerage after you receive tax forms associated with your Vanguard mutual fund holdings. Tax Information Statements (also known as Forms 1099-Consolidated) will be mailed and available online by the end of February 2015.

**Note:** You'll be able to download tax information for your Vanguard accounts into TurboTax® when your Tax Information Statement is viewable online.

Visit [vanguard.com/taxinfo](http://vanguard.com/taxinfo) for a full listing of tax forms and their availability.

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