

Vanguard mutual fund investors

2015 Form 1099-DIV instructions

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



When you'll receive your Forms 1099-DIV

Vanguard will send you a 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 from your Vanguard municipal bond funds or Vanguard Tax-Managed Balanced Fund.
- 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 REIT Index Fund,* which is available in mid-February)
Brokerage**	End of 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 1099-DIVs for the REIT Index Fund.

**For brokerage accounts, you'll receive a separate Consolidated 1099 Tax Statement.

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, 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 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 are generally exempt from federal income tax, you must still report these earnings on your federal income tax return.

How Vanguard's 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.

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 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 9b of your Form 1040 or 1040A. Qualified dividends are also included in the total ordinary dividend amount required on line 9a.

Vanguard doesn't mail QDI statements to shareholders. For help determining your 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/taxcenter](https://www.vanguard.com/taxcenter), choose **Vanguard fund-specific tax information**, and 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 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 1099-DIVs.
- None of your 1099-DIVs 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 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 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 11.

If needed, you can calculate the percentage of your tax-exempt interest dividends attributable to private activity bonds using the information provided on your 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 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 12–14 (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:

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 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 9a on Form 1040 or 1040A, or directly on line 9a 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 1099-DIVs 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, which flows to line 13 on Form 1040 or line 10 on 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.

Example: How to report dividends and capital gains distributions

IMPORTANT TAX DOCUMENT

Vanguard
Contact Info: 800-662-2739

RECIPIENT'S Identification number: XXX-XX-1234

2015 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	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 identification no. (Box 12)	State tax withheld (Box 14)
HIGH-YIELD TAX-EXEMPT INV	23-2473415		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		126.84	117.94	215.27	0.00	0.00	0.00	0.00	0.00	0.00		0.00

SCHEDULE D (Form 1040) Capital Gains and Losses

OMB No. 1545-0074

2015 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.
▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

Name(s) shown on return: Sample Shareowner
Your social security number: XXX-XX-1234

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.

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.

	(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 (g) 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				
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				11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13 Capital gain distributions. See the instructions				13 215.27
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				14
15 Net long-term capital gain or (loss). Combine lines 8a through 14				

SCHEDULE B (Form 1040A or 1040) Interest and Ordinary Dividends

OMB No. 1545-0074

2015 Attachment Sequence No. 08

Department of the Treasury Internal Revenue Service (99)

▶ Attach to Form 1040A or 1040.
▶ Information about Schedule B and its instructions is at www.irs.gov/scheduleb.

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

1040, line 8a

Note: If line 4 is over \$1,500, you must complete Part III.

Part II Ordinary Dividends

List name of payer

Name of Payer	Amount
HEALTH CARE FUND INV	126.84

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.

6 Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a

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

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

Part III Foreign Accounts

7a At any time during 2015, 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

Form 1040 U.S. Individual Income Tax Return 2015

Department of the Treasury—Internal Revenue Service (99)

OMB No. 1545-0074

For the year Jan. 1-Dec. 31, 2015, or other tax year beginning , 2015, ending , 20

Your first name and initial: Sample
Last name: Shareowner

Your social security number: XXX-XX-1234

Spouse's social security number:

Home address (number and street):

INCOME

Line	Description	Amount
7	Wages, salaries, tips, etc. Attach Form(s) W-2	
8a	Taxable interest. Attach Schedule B if required	
8b	Tax-exempt interest. Do not include on line 8a	820.62
9a	Ordinary dividends. Attach Schedule B if required	126.84
9b	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 or (loss). Attach Schedule D if required. If not required, check here	215.27
14	Other gains or (losses). Attach Form 4797	
15a	IRA distributions	
16a	Pensions and annuities	

If you did not get a W-2, see instructions.

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 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 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. 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.

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

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

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-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.