

## Mutual fund vs. IRS terminology on distributions (taxable accounts)

Mutual fund terminology	Tax terminology	Reported to you/IRS on Form 1099-DIV for individuals	Federal tax rates
Ordinary income dividend (non-tax-exempt income/funds)	Ordinary dividends/income	Yes	Ordinary Federal marginal income tax brackets apply
Income dividends (federally tax-exempt income)	Exempt-interest income dividends	Yes	Generally not taxable
Short-term capital gain distributions*	Ordinary dividends/income	Yes	Ordinary Federal marginal income tax brackets apply
Dividends from qualifying dividends	Qualifying dividends	Yes	Maximum rate of 20% for individuals
Long-term capital gain distributions*	Capital gain	Yes	Lower capital gain rates
Return of capital distribution	Non-taxable distribution/return of capital	Yes	N/A**

\*As a result of funds selling investments at a profit and paying these profits to shareholders. These distributions are taxable even if paid by “tax-exempt” funds.

\*\*This represents a return of your principal, not money from fund earnings. Such a distribution reduces your cost basis since part of your investment was returned to you. Funds rarely make such a distribution.