



## **IRS Cost Basis Reporting Regulations Information You Need to Know**

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### **Frequently Asked Questions**

#### **What is cost basis?**

This is the portion of an account that represents the shareholder's investment in the fund. The cost basis of shares generally is determined by the amount you paid for the mutual fund shares or acquired through the reinvestment of dividends & capital gains. Any distributions identified as a return of capital would adjust the basis by the amount of capital that was returned to the shareholder. This basis would be referred to as an adjusted basis. Basis is also referred to as available cost or cost basis.

#### **Is my account impacted?**

All non-retirement accounts that generate IRS Form 1099-B are subject to the cost basis reporting guidelines. Accounts that do not generate Form 1099-B, such as IRAs and other retirement plans, generally are not impacted.

#### **Do I need to select a cost basis method type?**

All existing Virtus shareholders must have a cost basis method associated with their accounts. If shareholders have not selected a method, Virtus Funds' default method is Average Cost, will be assigned to the account. If Average Cost is your chosen method for your covered shares, no further action is needed.

#### **What is the difference between "covered" shares and "non-covered" shares?**

"Covered" shares are shares purchased on or after 1/1/2012, including reinvested distributions. In October 2010 the Internal Revenue Service (IRS) issued mandatory regulations regarding cost basis. Under the regulations, mutual funds are required to report cost basis information to the IRS on any "covered" shares. "Non-covered" shares are shares purchased before 1/1/2012, including reinvested distributions.

#### **Will I still need to include non-covered share amounts when reporting my cost basis information to the IRS?**

Yes, although we may not report cost basis information for non-covered shares on Form 1099-B, you will still be required to report cost basis information to the IRS. Please consult your tax professional for any questions about how your own tax returns will need to be filed.

#### **Are shares purchased on or after January 1, 2012 with reinvested capital gains and dividends considered covered shares?**

Yes, since these shares were purchased after the effective date (1/1/2012) of the IRS regulations, they are considered covered shares, even if the reinvested dividends and capital gains were earned on non-covered shares.

#### **Can I change my cost basis method for past sale and future sales?**

Once shares are sold, you cannot change the method that was used for that transaction. You can, however, choose a different method for future sales.

**Can my broker make my election for me?**

You or your broker who is the registered representative of record may provide the election in writing by completing our Cost Basis Election form or over the phone by calling a Virtus Funds Service Representative at 800-243-1574, Monday through Thursday, 8:30 a.m. to 6:00 p.m. and Friday until 5:00 p.m. (Eastern Time). Requests to change to or from the average cost method must always be in writing.

**Haven't I already paid taxes on the reinvested dividends & capital gains?**

The cost of "reinvested" shares purchased with your distribution proceeds will be added to the amount you originally invested in the fund. This will raise your "basis" in the fund shares you've acquired. This way, you avoid being taxed twice, initially on the distribution and again later as a capital gain when the fund shares are sold. If the reinvested shares are sold at the same value as the reinvestment price, the shareholder would have no gain/loss since those shares would have already been taxed.

**Will I receive one Average Cost figure for covered and non-covered shares?**

No, the layout of Form 1099-B corresponds with Form 8949 and is broken out into five sections based on the categorization of the redemption and the cost basis information available. The IRS regulations require the reporting of the adjusted basis and whether any gain or loss on the sale is short-term or long-term.

**Can I access my historic statements?**

Yes, depending on the number of years needed, there may be a fee involved. However, you can always login to your account at Virtus.com and retrieve your online statements back to 2010 any time, free of charge. Please retain copies of your year-end statements as they include important information for tax reporting purposes.

**Where can I get additional information?**

Please contact your financial and/or tax professional with any questions regarding cost basis reporting and how it may affect your specific tax situation. More information can be found at [www.irs.gov](http://www.irs.gov).