

IRS Cost Basis Reporting Regulations Information You Need to Know

Frequently Asked Questions

What is cost basis?

This is the portion of an account that represents the shareholder's investment in the fund. The original basis of shares generally is determined by the amount you pay for the shares. The original basis for shares that were purchased or acquired through the reinvestment of dividend is generally the original cost of the shares. 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' default method, which 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 happens if I do not choose a cost basis method? Is there a default method?

Virtus will apply Average Cost as the method to your account. Average Cost is Virtus' default cost basis method.

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?

If your account has the default method of Average Cost your broker who is the registered representative of record may provide the election over the phone on your behalf. However, an election of Average Cost must be made in writing either by you or your broker.

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

No. Cost basis reporting on non-covered and covered shares will be separate.

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

Yes. While we will 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.

Can I get my account history information?

Yes. Your account history information will provide the necessary information needed to calculate your cost basis method on your non-covered shares. Please be advised, there may be a fee involved for this request, depending on the number of years needed.

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

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

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.