

Information for Completing Your 2017 Tax Return



Form 1099-INT

What should I do with this form and what is reported on it?

Form 1099-INT is utilized to report dividend income distributions from tax-exempt mutual funds. Box 8 shows tax-exempt interest, including exempt-interest dividends, paid by mutual funds to shareholders during 2017. This amount should generally be reported on line 8b of Form 1040 or Form 1040A. If applicable, box 9 shows the portion of tax-exempt interest or exempt-interest dividends reported in box 8 that is subject to the Alternative Minimum Tax or “AMT” (please see the instructions for IRS Form 6251).

Cost Basis

What do I need in order to calculate a cost basis for the mutual fund shares that I sold during 2017?

Cost basis is the asset price used to determine capital gains or losses. If you sold shares from a cost basis eligible account held in a non-money market mutual fund in 2017, you will receive IRS Form 1099-B in early 2018. This form may contain information reported to you, the shareholder, the IRS, or both, and should be used to assist you in filing your tax return.

Sale of Mutual Funds

What do I owe in taxes when I sell mutual fund shares?

Depending on the tax deferral nature of your account, when you sell some or all shares in a mutual fund, you will most likely have a gain or loss to report on your tax return. The gain or loss is calculated by subtracting your adjusted basis in the shares you owned from the proceeds of the sale of your shares. All sales or exchanges of fund shares are taxable, even if the fund is invested in tax-exempt securities (the interest the fund earns is tax-exempt). If you exchange shares in one mutual fund for shares in another, it's deemed a taxable sale of the old shares and a purchase of the new shares, even if the shares are part of the same family of funds.

For more information on these and other tax-related questions, we recommend you contact your tax advisor.

PNC Funds

Form 1099-DIV

What should I do with this form and generally what is reported on it?

For the most part, every shareholder who has received \$10 or more in federally taxable dividends or distributions will receive a Form 1099-DIV. The 1099-DIV reports income such as ordinary dividends, qualified dividends, and capital gains distributions. The dividends and capital gains shown on this form must be reported on your 2017 income tax return, even if you reinvested your distributions in additional fund shares instead of receiving them in cash.

What to Know About Reporting Capital Gains

Do I still pay taxes on capital gains if I have them reinvested?

Yes, all capital gains must be reported on your 2017 federal tax return, even if you have reinvested your distributions. Exceptions are shares held in an IRA, 401(k) or other tax-advantaged plan.

Dividends

What is a qualified dividend and what is included in this category?

Qualified dividends are ordinary dividends received subject to a 0%, 15% or 20% tax rate that applies to net capital gains. The 20% long-term capital gains rate applies to those individuals in the highest 39.6% tax bracket.

To qualify for the lower capital gains rate, all of the following criteria must apply:

- dividends must have been paid by a U.S. corporation or a qualified foreign corporation
- dividends are not of the type listed under non-qualified dividends
- proper holding period is met

Non-Qualified Dividends

- capital gains distributions
- dividends paid on deposits with mutual savings banks, cooperative banks, credit unions, U.S. building and loan associations, U.S. or federal savings and loan associations and similar financial institutions (these amounts are reportable as interest income)
- dividends from a tax-exempt organization or farmer's cooperative during the tax year in which the dividends were paid or during the corporation's previous tax year
- dividends paid by a corporation or employer securities that are held on the date of record by an employee stock ownership plan maintained by that corporation
- dividends on any share of stock to the extent that the shareholder is obligated to make related payments for positions in substantially similar or related property
- payments in lieu of dividends, but only if the shareholder knows or has reason to know that the payments are not qualified dividends

How to report qualified dividend income

Qualified dividends are reported in box 1b of your Form 1099-DIV. The shareholder reports these dividends on line 9b of Form 1040 or Form 1040A. Line 9b should not contain any of the non-qualified dividends listed above.

Are interest and dividends taxed?

Yes. Mutual funds hold securities that may pay interest or dividends or both. Mutual fund dividends are paid on a regular basis: monthly, quarterly, or annually. You can choose to accept them in cash or reinvest them to buy additional shares. These distributions are taxed as ordinary income. Ordinary income distributions may also include short-term capital gains realized by the fund.

How do we show on our tax form where dividends are reinvested?

You must report the fair market value on the dividend payment date of the dividends that are reinvested as income on your tax return. However, you do not actually show that the dividends were reinvested on your return.

Glossary of Terms

Capital Gain –

Results when an individual sells mutual fund shares for a profit and is the difference between an asset's purchase price and selling price.

Capital Gain Distribution –

Results when a net profit is made by the mutual fund in buying and selling portfolio holdings during a given year. The IRS considers this to be taxable activity, even if the shareholder reinvests back into the fund.

All capital gains are reported on Schedule D. Short-term gains or losses are reported on Part I of Schedule D and long-term gains and losses are reported on Part II. Each sale is reported separately.

Long-Term Capital Gains –

Gains on securities that were held by the fund for more than 12 months and are taxed at only 20% for shareholders whose federal tax bracket is 39.6%, 15% for those in the 25% tax bracket or higher, or 0% for those in a lower tax bracket.

Short-Term Capital Gains –

Gains on securities that were held for 12 months or less. These gains are taxed as ordinary income, at the taxpayer's marginal tax rate.

IRAs

How are IRA contributions reported to the IRS?

If you are an IRA account owner, Form 5498 will be mailed to you under separate cover no later than June 1, 2018.

Will conversion from a Traditional IRA to a Roth IRA affect my tax return?

Yes, converting from a Traditional IRA to a Roth IRA is reportable to the IRS.

**• NOT FDIC INSURED • NO BANK GUARANTEE
• MAY LOSE VALUE**

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