



# DOMINI FUNDS

2018 Tax Guide

# DEAR DOMINI FUNDS SHAREHOLDER:

We are pleased to provide you with the Domini Funds 2018 Tax Guide.

In this guide, you will find important information regarding your 2018 tax return preparation, including explanations for any income tax forms that you may receive from us, general information on how to report this information on your tax return, answers to frequently asked questions, and other useful tax information.

We hope that you will find this guide to be a valuable resource in preparing your 2018 tax returns. Additional information can be found in our Tax Center at [www.domini.com](http://www.domini.com). You can also download your tax documents by clicking on the *Manage Your Account* link and then clicking *Access Your Account* to log into your account online. If it is your first time logging in, you will first need to register by clicking on Register for Online Account Services.

If you have any questions about the information presented in this brochure, please call our Shareholder Services Line toll-free at 1-800-582-6757. Call center personnel are available to answer your questions Monday through Friday from 9 A.M. to 6 P.M. eastern time.

As always, thank you for investing in the Domini Funds. Together, we are making a difference.

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This Guide is intended for general informational purposes only. It is not meant to be a substitute for professional tax advice. **Please consult a professional advisor to determine your individual tax situation and for tax, legal, and investment advice.**

The information set forth in this Guide concerns only federal income tax, not state or local income tax, except where specifically noted.

Please refer to the Instructions for Recipients on the back of your income tax forms. Please also refer to IRS publications, including IRS publication 560, Retirement Plans for Small Business, IRS Publication 564, Mutual Fund Distributions, IRS Publications 590-A and 590-B, Contributions to/ Distributions from Individual Retirement Arrangements (IRAs), and IRS Publication 970, Tax Benefits for Education, available at [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

***An investment in the Funds is not a bank deposit. The Funds are not insured and are subject to market, sector concentration, style and foreign investing risks. Investing internationally involves special risks, such as currency fluctuations, social and economic instability, differing security regulations and accounting standards, limited public information, possible changes in taxation, and periods of illiquidity.***

**Carefully consider the Funds' investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Funds' prospectus, which may be obtained by calling 1-800-762-6814, or at [www.domini.com](http://www.domini.com). Please read the prospectus carefully before investing or sending money.**

The Funds are distributed by DSIL Investment Services LLC (DSILD), Member FINRA. Domini Impact Investments LLC (Domini) is the Funds investment manager. The Domini Impact Equity Fund is sub-advised by SSGA Funds Management, Inc. The Domini Impact International Equity Fund and Domini Impact Bond Fund are sub-advised by Wellington Management Company LLP. DSILD and Domini are not otherwise affiliated with SSGA and Wellington Management Company LLP. 1/19

# Form 1099-DIV

## *Dividend and Capital Gain Distributions*

Every shareholder, with certain exceptions defined by the Internal Revenue Code, who has received \$10 or more in taxable dividends or distributions, should be sent a Form 1099-DIV, by February 15, 2019. Form 1099-DIV is also sent to account holders for whom backup withholding was taken on certain reportable transactions.

Your Form 1099-DIV lists all federally taxable dividend and capital gain distributions of \$10 or more paid to your mutual fund accounts, including the **Domini Impact Equity Fund**, **Domini Impact International Equity Fund**, and **Domini Impact Bond Fund** (the “Funds”). If your account is invested in more than one fund, the 1099-DIV information for each fund has been consolidated and mailed to you in a single package. However, shareholders with more than one type of account—for example, an individual account and another account that is jointly owned—will receive a separate package of tax forms for each account.

The dividends and capital gains shown on Form 1099-DIV are provided for reporting on your 2018 federal income tax return, even if you reinvested your distributions in additional fund shares instead of receiving them in cash.

If you have one of the following types of accounts, you will not receive Form 1099-DIV:

- Individual Retirement Accounts and other tax-deferred accounts (including Roth and Traditional IRAs, Rollover IRAs, SEP and SIMPLE IRAs, Coverdell Education Savings Accounts and qualified tuition plan accounts)
- Accounts owned by corporations, certified nonresident aliens and certain tax-exempt organizations

**Dividend Distributions:** Your taxable dividends and short-term capital gains are shown in Box 1a, labeled ‘Total ordinary dividends.’ The portion of the dividends in box 1a that qualify for reduced capital gains rates is shown in box 1b on the form, labeled ‘Qualified dividends.’ Qualified dividends are dividends received by the Funds (and paid to shareholders) from domestic corporations or qualified foreign corporations. To meet the requirement for qualified dividends, the security must be held by the Fund for more

than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Qualified dividends generally are subject to a maximum tax rate of 15%, or capped at 20%, depending on tax bracket (0% for taxpayers in the 10% or 15% tax bracket). To report the amount of qualified dividends in box 1b as qualified dividend income, you must also satisfy the same holding requirement mentioned above with respect to your Fund shares. If the holding period requirement is not satisfied, the qualified dividends are taxable as ordinary dividend income.

Capital Gain Distributions: Long-term capital gain dividends paid by the Funds during 2018 are subject to the 15% or 20% capital gain tax rate, depending on tax bracket (0% for taxpayers in the 10% or 15% tax bracket). The amount of total capital gain distributions is shown in box 2a on Form 1099-DIV. Capital gain distributions paid by the Funds that are reported on Form 1099-DIV are provided for reporting directly on Form 1040, Schedule D (Capital Gains and Losses).

Nontaxable Distributions: The amount included in box 3 of Form 1099-DIV represents amounts distributed as return of capital, which for tax purposes, are nontaxable. The amount included in box 3, labeled 'Nondividend distributions,' should reduce the cost basis of your shares. Once you have received return of capital distributions equivalent to your cost basis, any additional return of capital distributions received will be taxable to you as capital gain, even though they will be reported as nontaxable distributions on Form 1099-DIV.

## **Corporate Dividend Received Deduction (For shareholders that are corporations)**

Shareholders in the **Domini Impact Equity Fund** that are corporations may be eligible to receive a 70% corporate dividend received deduction. To determine the amount of dividends that qualify, the corporate shareholder would multiply the total ordinary dividends received during 2018 (box 1a on Form 1099-DIV) by the percentage of the ordinary dividends received that qualify for the deduction. For 2018, 59% of the ordinary dividends received from the **Domini Impact Equity Fund** qualify for the corporate shareholder dividend received deduction.

## **Foreign Taxes**

Shareholders in the **Domini Impact International Equity Fund** may be able to receive a tax benefit due to foreign taxes paid by the Fund. If your Form 1099-DIV lists a foreign tax credit in box 6 of the form, labeled 'Foreign tax paid,' you are allowed to claim a tax credit or an itemized deduction on your federal

income tax return for your share of foreign taxes paid by the Fund during 2018. In most cases, you will receive more benefit by claiming a tax credit.

The information below will assist you in calculating the information necessary to claim either a credit or itemized deduction.

To calculate your total foreign source income passed through from the Fund, multiply your ordinary dividends (box 1a of Form 1099-DIV) by the foreign source income factor for the Fund. For 2018, the total foreign source income factor for the Domini Impact International Equity Fund is 99.90%.

To claim a foreign tax credit, you must also satisfy certain holding period requirements with respect to your mutual fund shares. If the holding period requirements are not satisfied, the foreign taxes will qualify as itemized deductions. Please consult your tax advisor to determine whether the foreign taxes passed through to you by the Fund are either creditable or qualify as an itemized deduction, and whether to make the election to exempt you from the foreign tax credit limitation and the filing requirement of Form 1116.

Note: If claiming a tax credit on your tax return for the foreign taxes paid by the Fund, the credit may be limited due to changes for the Job and Growth Tax Relief Reconciliation Act of 2003. Please review the instructions to Form 1116 and consult with your tax advisor.

## Income Derived from U.S. Government Obligations

A portion of the dividends paid by the Domini Impact Bond Fund during 2018 was earned from investments in securities issued by agencies of the United States Government. For a complete list of the Fund's holdings as of July 31, 2018 please consult the Domini Funds' Annual Report, which is available on our website at [www.domini.com](http://www.domini.com).

Depending on your state's income tax laws, if any, some of this income may be exempt from state income tax. The following table lists the percentages of income earned from these obligations. To determine the amount of income from each agency, multiply the total ordinary dividends (box 1a on Form 1099-DIV) by the percentage noted.

GOVERNMENT AGENCY	% OF INCOME
Federal National Mortgage Association (Fannie Mae)	29.52%
Federal Home Loan Mortgage Corporation (Freddie Mac)	10.78%

*The information on your Form 1099-DIV is reported to the IRS.*

**Please consult a professional advisor as necessary for guidance on reporting the information from Form 1099-DIV on your tax return, and for tax, legal and investment advice.**

# Form 1099-INT

## *Interest Income*

Every shareholder, with certain exceptions defined by the Internal Revenue Code, who has received \$10 or more in taxable interest income, is sent a Form 1099-INT, by February 15, 2019. Form 1099-INT is also sent to account holders for whom backup withholding was taken on certain reportable transactions.

Form 1099-INT is provided by institutions that pay interest income, such as banks and other savings institutions, and summarizes your interest income for the year. If your account has a position in the **Domini Deposit Account at PNC Bank**, and your account received interest income of \$10 or more during the year, you will be issued a Form 1099-INT.

If you have one of the following types of accounts, you will not receive Form 1099-INT:

- Individual Retirement Accounts and other tax-deferred accounts (including Roth and Traditional IRAs, Rollover IRAs, SEP and SIMPLE IRAs, Coverdell Education Savings Accounts and qualified tuition plan accounts)
- Accounts owned by corporations, certified nonresident aliens and certain tax-exempt organizations

The interest income shown on Form 1099-INT is provided for reporting on your 2018 federal income tax return, even if you reinvested your income in the **Domini Deposit Account at PNC Bank**.

*The information on your Form 1099-INT is reported to the IRS.*

**Please consult a professional advisor as necessary for guidance on reporting the information from Form 1099-INT on your tax return, and for tax, legal and investment advice.**

The Domini Deposit Account at PNC Bank is a NOW Account. Please note that you will be able to access your funds in the Domini Deposit Account at PNC Bank only through Domini Impact Investments. Domini Impact Investments will act as your agent for the purpose of making deposits to and withdrawals from the Domini Deposit Account at PNC Bank and will maintain the records of your account. You will not be able to access your funds in the Domini Deposit Account at PNC Bank or obtain balance information by contacting PNC Bank directly. Your deposits in the Domini Deposit Account at PNC Bank are subject to FDIC insurance limits of \$250,000 per depositor.

The Domini Deposit Account is made available through an arrangement with PNC Bank, National Association, member FDIC. Domini Impact Investments LLC and the mutual funds offered through Domini are not affiliated with any bank and are not FDIC insured. Domini Impact Investments LLC retains the right to replace PNC Bank with another FDIC member institution at its discretion. Prompt notice regarding such change will be provided.

# Form 1099-B

## *Proceeds from Redemption or Exchange of Securities*

All redemptions (sales) or exchanges made in non-retirement mutual fund accounts, except money market accounts, must be reported on Form 1099-B. Form 1099-B reports the gross proceeds from the sale or exchange of your mutual fund shares in 2018. If you redeemed or exchanged shares in the [Domini Impact Equity Fund](#), [Domini Impact International Equity Fund](#), or [Domini Impact Bond Fund](#) during 2018, you will be sent a Form 1099-B, by February 15, 2019.

Form 1099-B also reports cost basis information for your mutual fund redemption(s), if available. The layout of Form 1099-B is broken out into the following five sections based on the categorization of the redemption and the cost basis information available:

### [Section 1: Short-Term Transactions for which Basis Is Reported to the IRS.](#)

If information is reported in this section, the portion of the redemption is categorized as a short-term capital gain. The cost basis information listed in boxes 3, 5 and 6a will be reported to the IRS. This information should be reported on Form 8949 where further adjustments may be made, if necessary.

### [Section 2: Short-Term Transactions for which Basis Is Not Reported to the](#)

[IRS.](#) If information is reported in this section, the portion of the redemption is categorized as a short-term capital gain. The cost basis information listed in boxes 3, 5 and 6a will not be reported to the IRS. This information can be used as a guide to help determine your cost basis.

### [Section 3: Long-Term Transactions for which Basis Is Reported to the IRS.](#)

If information is reported in this section, the portion of the redemption is categorized as a long-term capital gain. The cost basis information listed in boxes 3, 5 and 6a will be reported to the IRS. This information should be reported on Form 8949 where further adjustments may be made, if necessary.

### [Section 4: Long-Term Transactions for which Basis Is Not Reported to the](#)

[IRS.](#) If information is reported in this section, the portion of the redemption is categorized as a long-term capital gain. The cost basis information listed in boxes 3, 5 and 6a will not be reported to the IRS. This information can be used as a guide to help determine your cost basis.

### [Section 5: Transactions for which Basis Is Not Reported to the IRS and for which Short- or Long-Term Determination is Unknown.](#)

If information is reported in this section, there is not enough information available to determine the cost basis for your redemption or exchange.



# Form 8949

## *Sales and Other Dispositions of Capital Assets*

Please note that, as of tax year 2012, the IRS has made significant changes to the method in which capital gains and losses are reported. In previous years, capital gains and losses were to be reported directly on Schedule D, Form 1040 (Capital Gains and Losses). As of 2012, however, information reported to you on Form 1099-B is provided for reporting first on Form 8949 (Sales and Other Dispositions of Capital Assets). Capital gain distributions that are paid by your mutual funds, which are reported on Form 1099-DIV (see page 2), should continue to be reported directly on Schedule D.

Form 8949 is used to report capital gains and losses that may have resulted from the sale or exchange of your mutual fund shares in 2018. You will be sent by February 15, 2019 Form 1099-B if you sold or exchanged shares in your non-money market or non-retirement mutual fund account, including shares in the [Domini Impact Equity Fund](#), [Domini Impact International Equity Fund](#), and [Domini Impact Bond Fund](#).

The IRS considers an exchange of shares to be the same as a sale of shares. The information from your Form 1099-B is provided for reporting in the appropriate areas of Form 8949. Part I of the form is for short-term gains or losses and Part II is for long-term gains or losses. Each sale must be reported separately.

Once Form 8949 has been prepared for your mutual fund investments, then the total short-term capital gains and losses and the total long-term capital gains and losses generally must be entered in the appropriate boxes on Schedule D, Form 1040. For additional information about completing Form 8949 or Schedule D, please review the instructions issued by the IRS or consult your tax advisor.

*The information on your Form 1099-B is reported to the IRS.*

**Please consult a professional advisor as necessary for guidance on reporting the information from Form 1099-B on your tax return, for guidance on the cost basis information needed for Form 8949 and Schedule D, and for tax, legal and investment advice.**

# Form 1099-R

## Distributions from Retirement Plans

Form 1099-R reports both full and partial distributions, including removal of excess contributions, from your mutual fund retirement plan accounts, such as IRAs, 401(k) plans, and annuities. If you took a distribution or re-characterized assets in your Domini Traditional IRA, Roth IRA, SEP-IRA, or SIMPLE IRA during 2018, you will be sent a Form 1099-R, by January 31, 2019.

- If you have more than one Domini retirement account with a taxable distribution, you will receive one consolidated Form 1099-R.
- If you have more than one type of retirement account with us—for example, a Traditional IRA and a Roth IRA—separate Forms 1099-R will be produced for distributions from each type of retirement account.

Please note that we do not report distributions from retirement accounts held by other custodians.

You will receive a Form 1099-R if you withdrew assets from your retirement plan account, even if you rolled them over and reinvested them in another retirement plan account within 60 days. You will also receive a Form 1099-R if you took your retirement account dividend distributions in cash, but not if they were reinvested into your retirement account. If you took more than one distribution from your retirement account in 2018, the distributions have been aggregated according to the type of distribution as defined by the IRS distribution code.

You will receive a Form 1099-R if you converted your Traditional IRA to a Roth IRA in 2018.

You will not receive a Form 1099-R if you had your IRA account assets moved as a trustee-to-trustee transfer of assets directly to another IRA account without taking possession of the funds.

*The information on your Form 1099-R is reported to the IRS. In some cases, a copy of Form 1099-R must be filed with your tax return.*

**Please consult a professional advisor as necessary for guidance on reporting the information from Form 1099-R on your tax return, and for tax, legal and investment advice.**

# Form 1099-Q

## *Payments from Qualified Education Programs*

Form 1099-Q reports distributions, including removal of excess contributions, made from Coverdell Education Savings Accounts (“Coverdell ESAs”) (formerly known as Education IRAs). If you took a distribution or re-characterized assets from your Domini Coverdell ESA during 2018, you will be sent a Form 1099-Q, by January 31, 2019.

If you received more than one type of distribution from a Coverdell ESA in 2017, you will receive a consolidated Form 1099-Q showing the amount for each type of distribution.

Although Form 1099-Q has boxes for reporting the earnings (or loss) on the distribution, as well as the cost basis of the shares sold, Coverdell ESA recordkeepers and trustees generally do not have the information required to calculate these amounts. Instead, in accordance with guidance issued by the Internal Revenue Service, we are providing you with the fair market value of your Coverdell ESA as of December 31, 2018. We suggest that you review IRS Publication 970, Tax Benefits for Education, for more information on how to calculate the earnings portion of the gross’ distribution, and for an explanation of “qualified education expenses.” When a distribution from such an account is used for “qualified education expenses” of the account beneficiary, such amount may likely not be taxable.

*The information on your Form 1099-Q is reported to the IRS. In some cases, a copy of Form 1099-Q must be filed with your tax return.*

**Please consult a professional advisor as necessary for guidance on reporting the information from Form 1099-Q on your tax return, and for tax, legal and investment advice.**

# Form 5498

## *IRA Contribution Information*

Form 5498 reports all contributions to IRA accounts for tax year 2018. If you made a contribution (including rollovers, conversions, recharacterizations, reconversions, and employer contributions) to your Domini Traditional IRA, Roth IRA, SEP-IRA, or SIMPLE IRA during 2018, you will receive a Form 5498.

Since contributions can be made until April 15, 2019 for 2018, your form will be delivered to you by May 31, 2019. The information is reported to the IRS, but you don't have to file it with your 2018 tax return. Form 5498 also reports the fair market value of your IRA account as of December 31, 2018. This information may be reported to you on your year-end account statement instead of Form 5498, since Form 5498 will not be generated if you did not make any contributions to your IRA accounts.

**Note:** A direct trustee-to-trustee transfer will not generate a Form 5498.

# Form 5498-ESA

## *Coverdell ESA Contribution Information*

Form 5498-ESA reports all contributions to Coverdell ESA accounts for tax year 2018. If you made a contribution (including rollovers, conversions, recharacterizations, and reconversions) to your Domini Coverdell ESA during 2018, you will receive a Form 5498-ESA.

Since contributions can be made until April 15, 2019 for 2018, your form will be delivered to you by April 30, 2019. The information is reported to the IRS, but you don't have to file it with your 2018 tax return. Form 5498-ESA also reports the fair market value of your Coverdell ESA account as of December 31, 2018. This information may be reported to you on your year-end account statement instead of Form 5498-ESA, since Form 5498-ESA will not be generated if you did not make any contributions to your Coverdell ESA accounts.

Note: A direct trustee-to-trustee transfer will not generate a Form 5498-ESA.

# Frequently Asked Questions

Q. Does information on my tax forms get reported to the IRS?

A. Yes, Domini reports this information to the IRS using the appropriate forms. Generally, Forms 1099-DIV, 1099-INT, 1099-B, 1099-R, and 1099-Q will be reported on or before March 31, 2019. Forms 5498 and 5498-ESA will be reported on or before May 31, 2019.

Q. What do I do if my Tax ID Number printed on the form is incorrect?

A. To change your Tax ID number on file with us, please send us a Form W-9 with your correct Tax ID number. You can obtain Form W-9 at your local post office, online at [www.irs.gov](http://www.irs.gov) or by calling us toll-free at 1-800-582-6757.

Q. What is a capital gain/loss?

- A **Capital Gain/Loss (Personal)** results when an individual sells mutual fund shares for a profit/loss, and is the difference between an asset's purchase price and selling price.
- A **Capital Gain Distribution (Portfolio)** results when a net profit is made by the mutual fund in buying and selling portfolio holdings during a given year. The IRS considers capital gains distributions from a mutual fund as a taxable activity, even if the shareholder reinvests the proceeds back in the fund.

Q. Will my conversion from a Traditional IRA to a Roth IRA be reportable to the IRS and affect my tax return?

A. Yes, converting from a Traditional IRA to a Roth IRA is reportable to the IRS. Please consult your tax advisor for assistance.

Q. Does Domini have a tax advisor or anyone who can help me fill out my return?

A. Our telephone call center personnel will be happy to help you with questions and information about your accounts; however, we cannot provide tax, legal or investment advice. For assistance in filling out your return, you should contact your professional advisor for such advice.

Q. Why doesn't the income on my Form 1099-DIV match the amounts on my year-end or quarterly statements?

A. Occasionally, mutual funds determine that income previously distributed to shareholders as one type of income may need to be reclassified as a different category of income for tax reporting purposes. For example, qualified dividend income is not segregated from non-qualified dividend income on your periodic statements, but it is broken out in box 1b on your 2018 Form 1099-DIV. Another example is if a tax-exempt dividend distribution must be reclassified as a taxable distribution.

Q. Where is my Cost Basis Statement?

A. Beginning January 1, 2012, reportable redemptions from your non-retirement account are displayed with the appropriate gain/loss information, categorized by section, on Form 1099-B if certain data is available. This requirement was enacted as part of the Energy Improvement and Extension Act of 2008. Essentially, the data that had been displayed on a separate Cost Basis Statement is now reported on Form 1099-B. Depending on the information available, cost basis data may also be reported to the IRS.



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