

Dividend Reinvestment Plan Tax Implications

Date: [Insert Date]

[Recipient's Name]

[Recipient's Address]

[City, State, ZIP Code]

Dear [Recipient's Name],

We are writing to inform you about the potential tax implications associated with your participation in our Dividend Reinvestment Plan (DRIP). As a valued participant, it is important that you understand how dividend reinvestments may affect your tax obligations.

1. ****Taxable Dividends:**** All dividends paid through the DRIP are considered taxable income in the year they are distributed, even if you have chosen to reinvest them. This means you must report these dividends on your tax return.
2. ****Cost Basis:**** When dividends are reinvested, the cost basis of the newly acquired shares will equal the amount of the dividends used for the investment. This cost basis will be important for calculating capital gains or losses when you eventually sell the shares.
3. ****Form 1099-DIV:**** At the end of each tax year, you will receive a Form 1099-DIV from us, detailing the amount of dividends earned and reinvested during the year. Please retain this form for your records and for your tax preparation.
4. ****Consult a Tax Advisor:**** Because individual tax situations vary, we recommend that you consult with a tax advisor to fully understand the tax implications of your participation in the DRIP.

If you have any further questions, please feel free to reach out to our customer service team at [Customer Service Phone Number] or [Customer Service Email].

Thank you for being a part of [Company Name]'s Dividend Reinvestment Plan.

Sincerely,

[Your Name]

[Your Title]

[Company Name]

[Company Address]

[City, State, ZIP Code]