

DUPREE MUTUAL FUNDS

2017 TAX INFORMATION

FORMS 1099-DIV & 1099-B

Forms 1099-DIV and 1099-B are reported on a consolidated tax reporting statement for all non-retirement accounts. Retirement accounts such as IRAs do not receive Form 1099-DIV or Form 1099-B.

Depending on your account activity, the consolidated tax reporting statement you receive may or may not have both Form 1099-DIV and Form 1099-B listed. Form 1099-DIV reports dividend income and/or capital gains distributions received by a shareholder in excess of \$10. Form 1099-B reports gross proceeds from the sale of shares held in non-retirement accounts. If the total amount of income and/or capital gains distributions you received is less than \$10, you will not receive a Form 1099-DIV. If you did not redeem any shares in 2017, you will not receive a Form 1099-B.

You will be sent a consolidated tax reporting statement for each Dupree account that you have. Accordingly, if you have more than one Dupree account, you may receive multiple consolidated tax reporting statements.

FORM 1099-DIV (DIVIDENDS & DISTRIBUTIONS)

We must report to the IRS any taxable income, capital gains distributions and tax-exempt income paid on your mutual fund account.

Tax-exempt dividend income for all of our tax-exempt municipal bond funds is reported on Form 1099-DIV in block 10 if the total of all blocks on the form is \$10 or more. Dupree does not buy any municipal bonds that are subject to the *Alternative Minimum Tax (AMT)* for our tax-free municipal bond series. Accordingly, the amount listed in block 11 of Form 1099-DIV ("*Specified Private Activity Bond Interest*") is \$0.

Intermediate Government Bond Series

For the Intermediate Government Bond Series, 96.26% of the amount reported as total ordinary income in block 1a of your Form 1099-DIV was derived from U.S. government securities. Most states exempt the dividend income derived from a fund's investments in U.S. government securities. Check with your state tax office or tax professional to determine whether your state allows you to exclude some or all of the income you earned from the Intermediate Government Bond Series.

Kentucky Tax-Free Income Series

The Kentucky Tax-Free Income Series made a long-term capital gains distribution of .001365 per share to shareholders of record as of December 4, 2017. The capital gains distribution was paid on December 29, 2017. Your long-term capital gains distribution amount will appear in block 2a on Form 1099-DIV.

Mississippi Tax-Free Income Series

The Mississippi Tax-Free Income Series made a long-term capital gains distribution of .008310 per share to shareholders of record as of December 4, 2017. The capital gains distribution was paid on December 29, 2017. Your long-term capital gains distribution amount will appear in block 2a on Form 1099-DIV.

Taxable Municipal Bond Series

Dividends will appear as ordinary income in block 1 of Form 1099-DIV. Annual and monthly breakdowns of dividend interest by state are available at: <http://www.dupree-funds.com/images/files/DUTMXinterestbystate.pdf> or by calling 1-800-866-0614.

FORM 1099-B (PROCEEDS FROM BROKER & BARTER EXCHANGE TRANSACTIONS)

When you redeem or exchange mutual fund shares it may result in a taxable gain or a deductible loss. Form 1099-B is used to report gross proceeds received from the sale of shares held in non-retirement accounts.

Redemptions made during the 2017 calendar year will be reported on your Form 1099-B in the following possible categories:

NON-COVERED SHARES

Non-covered shares are shares bought and owned prior to January 1, 2012. Non-covered shares may be classified as non-covered and unknown where shares have been transferred into your account from a third-party who did not provide cost basis or where cost basis could not be readily determined by the type of transfer (e.g., estate account, multiple owner(s), gifts, etc.).

Cost basis for non-covered shares is not reported to the IRS. There will be no designation as to type of gain or loss (short-term / long-term) for non-covered shares. You should report on IRS Form 8949, in either Part I or Part II, any gains or losses you calculate for each sale of non-covered shares.

For short-term gain/loss - report on Form 8949 - Part I with Box B checked.

For long-term gain/loss - report on Form 8949 - Part II with Box E checked.

If you are required to file a tax return, a penalty may be imposed on you if the IRS determines that it has not been reported.

Please note that Dupree Mutual Funds tracks and provides an **average cost basis** as a courtesy to shareholders for non-covered shares. You may choose to use this information to calculate your capital gains and/or losses. This information is provided on your December 29, 2017 end-of-year account statement for any fund redemptions made in calendar year 2017.

COVERED SHARES

Covered shares are those shares bought and owned on or after January 1, 2012. Cost basis for covered shares is reported to the IRS. You must use this cost basis on your 2017 tax return. Covered shares will be segregated by designation as to type of gain or loss (short-term / long-term).

For short-term gain/loss - report on Form 8949 - Part I with Box A checked.

For long-term gain/loss - report on Form 8949 - Part II with Box D checked.

Please note that Dupree Mutual Funds tracks and provides an average cost basis for covered shares, unless another cost basis method has been specifically requested by a shareholder in writing. This information is provided on your December 29, 2017 end-of-year account statement and should match the information reported on your 1099-B for covered shares.

Consolidated tax reporting statements will be sent to shareholders by February 16, 2018. For IRA accounts, Form 1099-R will be sent to shareholders by January 31, 2018. Form 5498 is sent to shareholders by May 31, 2018 because you can contribute to your IRA for the prior tax year (2017) up until April 17, 2018.

PLEASE SAVE YOUR YEAR-END ACCOUNT STATEMENT, CONSOLIDATED TAX REPORTING STATEMENT, AND THIS TAX INFORMATION SHEET AS YOU OR YOUR TAX PREPARER WILL NEED THEM TO PREPARE YOUR TAXES.

If you have any questions about this information or need additional assistance, please give us a call at 1-800-866-0614.

This tax information is provided for informational purposes only and should not be construed as legal or tax advice. While the information has been compiled from sources we believe are reliable, we cannot guarantee that such information is accurate, complete, or timely. Dupree Mutual Funds and/or Dupree & Company, Inc. (collectively "Dupree") makes no warranties with regard to such information or results obtained by its use. Dupree disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Always consult with an attorney or tax professional regarding your specific legal or tax situation.