

To help you with your 2020 tax preparation, this guide is intended to assist you with the reporting of dividends, capital gains distributions, and sales of Dupree Mutual Funds shares.

Who Receives a Form 1099-DIV and/or a Form 1099-B?

Dupree Mutual Funds reports Forms 1099-DIV and 1099-B on a single consolidated tax reporting statement for all non-retirement accounts. Depending on your account activity, however, the consolidated tax reporting statement you receive may or may not contain both Form 1099-DIV and Form 1099-B. Form 1099-DIV reports dividend income and/or capital gains distributions received by a shareholder in excess of \$10.00 during 2020. Form 1099-B reports the proceeds from the sale or exchange of shares made in 2020. Accordingly, if the total amount of income and/or capital gains distributions you received is less than \$10.00, you will not receive a Form 1099-DIV. Likewise, if you did not redeem or exchange any shares in 2020, you will not receive a Form 1099-B.

Please note that you will receive a consolidated tax reporting statement for each Dupree account that you have. If you have more than one account with Dupree Mutual Funds, you may receive multiple consolidated tax reporting statements.

IMPORTANT

In order for you or your tax preparer to complete your 2020 returns, **please save the following information**

1. Your December 31, 2020 year-end Dupree Mutual Funds account statement;
2. Your consolidated Forms 1099-DIV and 1099-B; and
3. This Tax Information Guide.

FORM 1099-DIV (DIVIDENDS & CAPITAL GAINS DISTRIBUTIONS)

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

Exempt-Interest Dividends

For each of Dupree's tax-free single state municipal bond funds, dividend income is reported in Block 11 of Form 1099-DIV ("Exempt-interest dividends"). Dupree does not buy any municipal bonds that are subject to the Alternative Minimum Tax (AMT) for our tax-free single state municipal bond funds. Accordingly, the amount listed in Block 12 of Form 1099-DIV ("Specified private activity bond interest dividends") is \$0.00.

Total Ordinary Dividends

Total ordinary dividends are reported in Block 1a on Form 1099-DIV ("Total ordinary dividends"). Total ordinary dividends were only paid to shareholders of the Intermediate Government Bond Series and the Taxable Municipal Bond Series.

- Intermediate Government Bond Series – 95.06% of the amount reported as total ordinary dividends 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.
- Taxable Municipal Bond Series - Annual and monthly breakdowns of dividend interest by state are available at: <https://www.dupree-funds.com/wp-content/uploads/DUTMXinterestbystate2020.pdf> or by calling 1-800-866-0614. 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 Taxable Municipal Bond Series.

Capital Gains Distributions

During 2020, capital gains distributions were made in five of our funds: the Kentucky Tax-Free Income Series, the Mississippi Tax-Free Income Series, the North Carolina Tax-Free Short-to-Medium Series, the Tennessee Tax-Free Income Series, and the Taxable Municipal Bond Series. For shareholders owning shares in any of these five funds as of the record date, any short-term

capital gain / other income distributions will appear in Block 1a on Form 1099-DIV (“Total ordinary dividends”), and any long-term capital gain distributions will appear in Block 2a on Form 1099-DIV (“Total capital gain distr”).

Fund	Record Date	Type of Distribution	Distribution Per Share	Distribution Date
Kentucky Tax-Free Income Series	December 14, 2020	Long Term Capital Gain	0.004069	December 31, 2020
Mississippi Tax-Free Income Series	December 14, 2020	Long Term Capital Gain	0.023627	December 31, 2020
North Carolina Tax-Free Short-to-Medium Series	December 14, 2020	Short Term Capital Gain / Other Income	0.001273	December 31, 2020
Tennessee Tax-Free Income Series	December 14, 2020	Long Term Capital Gain	0.002949	December 31, 2020
Taxable Municipal Bond Series	December 14, 2020	Long Term Capital Gain	0.057130	December 31, 2020

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

If you sold or exchanged shares of Dupree Mutual Funds during 2020, such sales or exchanges are reported on Form 1099-B, which shows the gross proceeds from each sale or exchange you made during the year. Proceeds from sales and exchanges made in 2020 arise from one or both of the following categories of 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 2020 tax return. Covered shares will be segregated by designation as to type of gain or loss (short-term or 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.

For covered shares, the cost basis shown on your 1099-B was calculated based on the cost basis method you elected. If you did not make an election, the default cost basis method of average cost was applied to all of the covered shares in your account. Please note that cost basis information for covered shares is provided on your December 31, 2020 end-of-year account statement and should match the information reported on your 1099-B for covered shares.

Non-Covered Shares are shares bought and owned prior to January 1, 2012. Non-covered shares may also include shares transferred into your account without corresponding cost basis information or shares transferred into your account 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*, and your 1099-B will not designate the 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.

As a courtesy to shareholders, Dupree Mutual Funds tracks and provides an average cost basis for non-covered shares. This information is provided on your December 31, 2020 end-of-year account statement for any fund redemptions made in calendar year 2020.

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. Neither Dupree Mutual Funds nor Dupree & Company, Inc. (collectively “Dupree”) makes any 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.