How will the 1.4% Excise Tax Affect Me?
### Merged Pool

<table>
<thead>
<tr>
<th>How the tax will be charged</th>
<th>What you need to do</th>
</tr>
</thead>
<tbody>
<tr>
<td>• CFO’s and Controller’s Office will establish an “accrual rate” for each fiscal year to best approximate the tax to be paid in cash the following January</td>
<td>• <strong>Nothing!</strong></td>
</tr>
<tr>
<td>• This amount will accrue against the MP share price, similar to how the share price reduces when payout is removed</td>
<td>• Eventually the effects of the lower share price will impact payout, through the Endowment Payout Smoothing Formula, making it slightly less than it otherwise would be. This effect won’t be felt until FY21, when it will be minimal.</td>
</tr>
<tr>
<td>• For January – August 2019, accrual rate will be $0.01 per share</td>
<td></td>
</tr>
<tr>
<td>• There will be no tax on the payout</td>
<td></td>
</tr>
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<td>----------------------------</td>
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</tr>
<tr>
<td>• The I-Pool will be charged each January at 1.4% of the total of the investment income and gains less expenses realized in the previous fiscal year</td>
<td>• <strong>Nothing!</strong></td>
</tr>
<tr>
<td>• The FMV of assets owned by the Pool will be reduced by the current and deferred excise tax payables, as well as the amount of investment expenses payable on a daily basis</td>
<td></td>
</tr>
<tr>
<td>• No tax is charged to the fundholders</td>
<td></td>
</tr>
</tbody>
</table>
## School and Department Funds

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<tbody>
<tr>
<td>• These funds will be charged in January 2020 at a rate of 1.4% on investment income and realized gains occurring during the fiscal year ended August 31, 2019.</td>
<td>• Nothing!</td>
</tr>
<tr>
<td></td>
<td>• SMC will manage reserves in the funds to meet the tax charge.</td>
</tr>
</tbody>
</table>
## Appreciated Gift Securities (Endowment Gifts)

<table>
<thead>
<tr>
<th>How the tax will be charged</th>
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</tr>
</thead>
<tbody>
<tr>
<td>• The net proceeds from the sale of the gifted asset will be treated as a gift of endowment principal and be immediately available for investment in the MP.</td>
<td>• Please take this into account in budgeting this endowment income fund, so that there is adequate cash in the fund to meet the tax charge.</td>
</tr>
<tr>
<td>• The 1.4% tax on the difference between net sale proceeds and the donor’s basis (if determined, or zero, if not) will be charged in January 2020 against the corresponding endowment income fund.</td>
<td>• Controller’s Office will provide reports showing tax liability due.</td>
</tr>
<tr>
<td>• The effect of this will be a loss of approximately three months of payout for the fund.</td>
<td></td>
</tr>
</tbody>
</table>

Controller’s Office will provide reports showing tax liability due.
Appreciated Gift Securities (Non-Endowment Gifts)

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>• The 1.4% tax on the difference between net sale proceeds and the donor’s basis (if determined, or zero, if not) will be charged in January 2020 against the fund that receives the gift.</td>
<td>• Please reserve adequate cash in the fund to meet the tax charge.</td>
</tr>
<tr>
<td></td>
<td>• Controller’s Office will provide reports showing tax liability due.</td>
</tr>
</tbody>
</table>
## Endowment Income Funds Pool ("EIFP")

<table>
<thead>
<tr>
<th>How the tax will be charged</th>
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</tr>
</thead>
<tbody>
<tr>
<td>• Rate of return for the EIFP will be calculated based on the current policy at the end of the fiscal year. That rate will be reduced by 1.4% (multiplied by .986) and the resulting rate will be used to calculate the amount credited to the EIFP deposits.</td>
<td>• <strong>Nothing!</strong></td>
</tr>
<tr>
<td>• Net EIFP income will be multiplied by 1.4% and that amount will be transferred from the EIFP to the accrued excise tax account at the end of each fiscal year.</td>
<td></td>
</tr>
<tr>
<td>How the tax will be charged</td>
<td>What you need to do</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>• <em>EFP policy will not change.</em></td>
<td>• Nothing!</td>
</tr>
<tr>
<td>• No additional changes will be made to the MP holdings of the EFP, other than those outlined in the “MP” section above.</td>
<td></td>
</tr>
<tr>
<td>• Realized taxable income from the direct investments of the EFP will be totaled and 1.4% of this amount will be transferred from the EFP to the accrued excise tax account at the end of each fiscal year.</td>
<td></td>
</tr>
</tbody>
</table>