

Harbor Funds Form 1099-DIV/B 2018 Tax Guide

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Important 2018 Tax Information for Shareholders

Harbor Funds has prepared this guide to assist you in reporting information about your Harbor Funds accounts when preparing your 2018 federal income tax returns.

Please visit harborfunds.com/tax for a shareholder tax FAQ, a table to assist you in calculating foreign tax credits, information related to mutual fund distributions and more.

Our Shareholder Services Representatives are also available to assist you by phone at **800-422-1050**, Monday through Friday, between the hours of 8:00 a.m. and 6:00 p.m. Eastern time.

Help with Tax Forms

Please note that the IRS has redesigned Form 1040 and its schedules and has eliminated Forms 1040A and 1040-EZ in connection with the passage of the Tax Cuts and Jobs Act of 2017. For information about changes to the 2018 tax law or other developments affecting Form 1040 or its instructions, go to irs.gov/Form1040, call the Internal Revenue Service (IRS) at 800-829-1040, or consult with your tax adviser for further assistance.

Federal tax forms and publications can be downloaded from the IRS website. To view these documents visit irs.gov/Forms-&Pubs.

Since states and cities have varying tax laws, consult your tax adviser about the specific tax laws in the state and city in which you reside or pay taxes.



Investors should carefully consider the investment objectives, risks, charges and expenses of a Harbor fund before investing. A summary prospectus or prospectus for this and other information is available at harborfunds.com or by calling 800-422-1050. Read it carefully before investing.

Opinions and recommendations in this guide should not be construed as specific tax, legal or investment advice.

Proceeds from Broker & Barter Exchange Transactions

If you sold Harbor Funds during 2018, you may receive a Form 1099-B.

If during 2018 you realized capital gains or losses on shares held in a taxable account, the gains or losses may be reported on Schedule 8949. The total gain or loss from transactions reported on Form 8949 must be included on Schedule D of Form 1040.

Specific Information about your Form 1099-B

Note: Your Form 1099-B may include as many as four sections. **Only sections applicable to your situation will be shown on Form 1099-B.**

The sections are:

1. Short-Term transactions for which basis is **reported** to the IRS.
2. Long-Term transactions for which basis is **reported** to the IRS.
3. Long-Term transactions for which basis is **not reported** to the IRS.
4. Transactions for which basis is not reported to the IRS and for which short-term or long-term determination is unknown.

Cost Basis Information

Cost basis is the amount that you paid for your shares, including shares for any dividends and capital gains reinvested into your account.

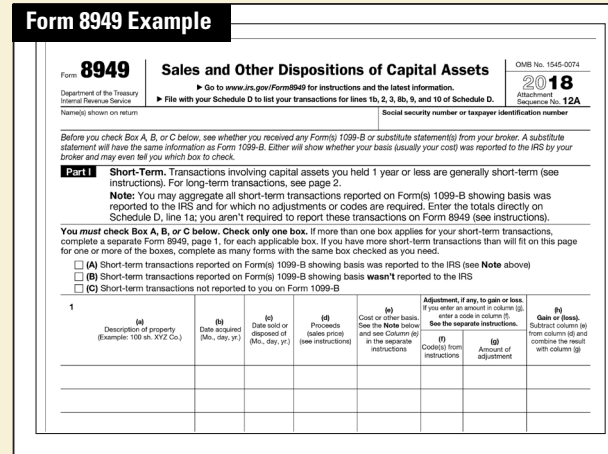
The IRS defines shares acquired prior to January 1, 2012 as Noncovered, and shares acquired after January 1, 2012 as Covered. Harbor will report the cost basis of Covered shares only to the IRS.

Although we provide this information to help you prepare your income tax return, you are responsible for the accuracy of your cost basis information.

Cost Basis Methods:

- Average Cost (ACST)
- Loss/Gain Utilization (LGUT)
- Highest Cost, First Out (HIFO)
- Lowest Cost, First Out (LOFO)
- Last in, First Out (LIFO)
- First in, First Out (FIFO)
- Specific Lot Identification (SLID)

For additional information, visit harborfunds.com/faq_cost_basis.



Information on Form 1099-B

Box 1a: Contains a description of the transaction, the share price, and the quantity of shares sold.

Box 1b: The date the shares were originally acquired. This box may be blank or contain "various" if the shares sold were acquired on various dates.

Box 1c: The trade date of the sale (redemption) or exchange of shares from your mutual fund account.

Box 1d: The net proceeds you received on the sale (redemption) or exchange of shares.

Box 1e: The cost or other basis of shares sold. If box 5 is checked, box 1e may show N/A if cost basis information is not available.

Box 1f/1g: The amount of nondeductible loss in a wash sale transaction. A wash sale occurs when shares are sold at a loss and, within 30 days before or after the sale, substantially identical shares are purchased. For more information on wash sales, please refer to IRS publication 550 and Schedule D (Form 1040).

Box 4: Reports federal backup withholding from the sale proceeds, if applicable.

An example of Form 1099-B containing 4 sections

Form 1099-B - PROCEEDS FROM BROKER & BARTER EXCHANGE TRANSACTIONS														2018	
Short-term transactions for which basis is reported to the IRS. Report on Form 8949, Part I , with Box A checked.															
Box 1a Description of property			Box 1b	Box 1c	Box 1d	Box 1e	Box 1g	Box 4	Box 5	Box 14	Box 15	Box 16	Not Reported to the IRS		
Transaction	Share Price	Quantity Sold	Date acquired	Date sold or disposed	Net Proceeds	Cost or other basis	Wash sale loss disallowed	Federal income tax withheld	Non-covered security*	State name	State identification no.	State tax withheld	Cost basis method	Gain/(Loss)	
Fund Name: Harbor XXXX - INST CUSIP no. 123456789															
Shares Redeemed	\$13.42	100.12	5/8/2018	10/1/2018	\$1,343.61	\$1,270.52	\$0.00	\$0.00	<input type="checkbox"/>	N/A	N/A	N/A	FIFO	\$73.09	
FUND TOTAL:					\$1,343.61	\$1,270.52	\$0.00	\$0.00				N/A		\$73.09	
Long-term transactions for which basis is reported to the IRS. Report on Form 8949, Part II , with Box D checked.															
Box 1a Description of property			Box 1b	Box 1c	Box 1d	Box 1e	Box 1g	Box 4	Box 5	Box 14	Box 15	Box 16	Not Reported to the IRS		
Transaction	Share Price	Quantity Sold	Date acquired	Date sold or disposed	Net Proceeds	Cost or other basis	Wash sale loss disallowed	Federal income tax withheld	Non-covered security*	State name	State identification no.	State tax withheld	Cost basis method	Gain/(Loss)	
Fund Name: Harbor XXXX - INST Payer's Federal ID no. 99-9999999 CUSIP no. 123456789															
Shares Redeemed	\$10.42	66.44	7/5/2013	7/31/2018	\$692.30	\$501.54	\$0.00	\$0.00	<input type="checkbox"/>	N/A	N/A	N/A	FIFO	\$190.76	
FUND TOTAL:					\$692.30	\$501.54	\$0.00	\$0.00				N/A		\$190.76	
Long-term transactions for which basis is NOT reported to the IRS. Report on Form 8949, Part II , with Box E checked.															
Box 1a Description of property			Box 1b	Box 1c	Box 1d	Box 1e	Box 1g	Box 4	Box 5	Box 14	Box 15	Box 16	Not Reported to the IRS		
Transaction	Share Price	Quantity Sold	Date acquired	Date sold or disposed	Net Proceeds	Cost or other basis	Wash sale loss disallowed	Federal income tax withheld	Non-covered security*	State name	State identification no.	State tax withheld	Cost basis method	Gain/(Loss)	
Fund Name: Harbor XXXX - INST Payer's Federal ID no. 99-9999999 CUSIP no. 123456789															
Shares Redeemed	\$12.56	271.254	Various	5/4/2018	\$3,406.95	\$3,342.75	\$0.00	\$0.00	<input checked="" type="checkbox"/>	N/A	N/A	N/A	FIFO	\$64.20	
FUND TOTAL:					\$3,406.95	\$3,342.75	\$0.00	\$0.00				N/A		\$64.20	
Transactions for which basis is NOT reported to the IRS and for which short-term or long-term determination is unknown . You must determine short-term or long-term gain/(loss) based on your records and report on Form 8949, Part I , with Box B checked or on Form 8949, Part II , with Box E checked as appropriate.															
Box 1a Description of property			Box 1b	Box 1c	Box 1d	Box 1e	Box 1g	Box 4	Box 5	Box 14	Box 15	Box 16	Not Reported to the IRS		
Transaction	Share Price	Quantity Sold	Date acquired	Date sold or disposed	Net Proceeds	Cost or other basis	Wash sale loss disallowed	Federal income tax withheld	Non-covered security*	State name	State identification no.	State tax withheld	Cost basis method	Gain/(Loss)	
Fund Name: Harbor XXXX - INST Payer's Federal ID no. 99-9999999 CUSIP no. 123456789															
Shares Redeemed	\$62.60	369.055	Various	10/29/2018	\$23,102.84	\$0.00	\$0.00	\$0.00	<input checked="" type="checkbox"/>	N/A	N/A	N/A		\$0.00	
FUND TOTAL:					\$23,102.84	\$0.00	\$0.00	\$0.00				N/A		\$0.00	

*If Box 5 is checked, the shares are noncovered (acquired prior to January 1, 2012). If Box 5 is not checked, the shares are covered (acquired after January 1, 2012).

Box 5: If checked, the shares sold were noncovered. Noncovered shares are those that were acquired prior to January 1, 2012. The cost basis for the sale (redemption) of Noncovered shares will not be reported to the IRS but is provided on the form for your reference, if available.

Boxes 14, 15, 16: If subject to state backup withholding, these boxes will display the state, state identification number, and the amount of state tax withheld. For most shareholders, these boxes will not apply.

The final two columns contain information not reported to the IRS but which may be helpful to you as you prepare your 2018 tax return. The first column shows the method used to compute cost basis of shares sold. The second column contains the amount of capital gain or loss.

How to Report Information from Form 1099-DIV

Box 1a reports total ordinary dividends.

If the total of all of your ordinary dividends (**Box 1a**) from all sources is less than or equal to \$1,500, you need only report the total on line 3b of Form 1040.

If the total of all of your ordinary dividends (**Box 1a**) from all sources is greater than \$1,500, list each payer and the associated dividend separately on Schedule B of Form 1040. You still need to report the total on line 3b of Form 1040.

Box 1b reports qualified dividends.

Dividend distributions from U.S. and some foreign corporations are eligible for reduced tax rates termed "qualified dividends". If you held a Harbor fund, you may have received qualified dividend income (QDI). Most distributions from bond funds and money market funds are not eligible for QDI. In order to claim QDI, you must have held your Harbor fund shares for at least 61 days during the 121 day period beginning 60 days prior to the ex-dividend date of each dividend distribution during 2018.

If you determine that you are eligible for QDI, report the amount on line 3a of Form 1040.

Box 2a reports total capital gain distributions.

If all of your capital gain distributions are reported on **Box 2a** on all of your Forms 1099-DIV, you can report the total on line 13 of Schedule 1 (Form 1040). You must also complete a Qualified Dividends and Capital Gains Tax Worksheet (included in the Form 1040 instructions) to calculate the tax due on your capital gains.

If any of your Forms 1099-DIV have an amount in **Box 2b**, **Box 2c** or **Box 2d**, you must also complete Schedule D.

Box 3 reports nondividend distributions.

The amount in **Box 3** is not included in **Box 1a** "Total Ordinary Dividends". If an over distribution from the fund were to occur, that portion of dividends paid to you during the year is considered a return of your cost (or other) basis (also called a return of capital) and is therefore not taxable. Instructions regarding this return of basis are on the back of your Form 1099-DIV. Please see IRS Publication 550 or consult your tax adviser regarding adjusting your basis for a return of capital.

Box 7 reports foreign tax paid.

Harbor international funds pay taxes to foreign governments. The amounts in **Box 7** (as well as in **Box 1a**) are the portion of those taxes that can be passed through to shareholders as foreign tax credits (FTC). In order to claim the FTC, you must have held your Harbor Funds shares for at least 16 days including the ex-dividend date of the dividend distribution which was December 17, 2018.

You can report the amount from **Box 7** on Line 48 of Schedule 3 (Form 1040), if you have met the 16 day holding period, you are not filing Form 4563, the total of all your foreign tax paid was reported on a Form 1099-DIV or Form 1099-INT and were not more than \$300 (\$600 if you are filing a joint return). In addition, all of your foreign tax paid must be legally owed and not eligible for a refund, paid to countries that are recognized by the United States and which do not support terrorism. You must file Form 1040 to take this deduction or credit.

If you do not meet the criteria above, you may be required to complete Form 1116 for individuals or Form 1118 for corporations. Information for completing these forms is available on the Harbor Funds website at harborfunds.com/faq-foreign-tax.htm or you can call us at 800-422-1050.

Form 1040

- (A) Report the total ordinary dividends from **Box 1a** on Form 1040, line 3b. If your total ordinary dividends from all sources are greater than \$1,500 refer to Schedule B.
- (B) Report the total qualified dividends from **Box 1b** on Form 1040, line 3a.
- (C) Report the total capital gain distributions from **Box 2a** on Schedule 1 (Form 1040), line 13. Please read the instructions for Schedule D to determine if you must complete it.

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRAs, pensions, and annuities	4a	
5a	Social security benefits	5a	
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise,	7	
		b	Taxable interest
		b	Ordinary dividends
		b	Taxable amount
		b	Taxable amount
		6	

Schedule 1 (Form 1040)

1-9b	Reserved	1-9b	
10	Taxable refunds, credits, or offsets of state and local income taxes	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	Reserved	15a	
15b	Reserved	15b	
16a	Reserved	16a	
16b	Reserved	16b	
17	Rental real estate royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Reserved	20a	
20b	Reserved	20b	
21	Other income. List type and amount	21	
22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22	

Form 1099-DIV (Example)

								2018		
Box 1a	Box 1b	Box 2a	Box 3	Box 4	Box 7	Box 13	Box 14	Box 15		
Total ordinary dividends	Qualified dividends	Total capital gain distributions	Nondividend distributions	Federal income tax withheld	Foreign tax paid	State	State identification no.	State tax withheld		
Fund Name: Harbor XXXX - INST										Payer's Federal ID no. 99-9999999
\$49.63	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	N/A	N/A	N/A		
Fund Name: Harbor YYYY - INST										Payer's Federal ID no. 88-8888888
\$248.00	\$13.64	\$0.00	\$0.00	\$0.00	\$0.00	N/A	N/A	N/A		

Schedule B

5	List name of payer	5	
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- (D) Report ordinary dividends from **Box 1a** on Schedule B, line 5, if your total ordinary dividends from all sources are greater than \$1,500.

Schedule D

11	Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824	11	
12	Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	12	
13	Capital gain distributions. See the instructions	13	
14	Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions	14	

- (E) Report the capital gain distributions on Schedule D, line 13, if required.

Boxes 12, 13, & 14 display state information.

If subject to state backup withholding, these boxes will display the state, state identification number, and the amount of state tax withheld. For most shareholders, these boxes will not apply.

Disclaimer: Any tax or legal information provided is a summary of our current understanding and interpretation of the current income tax regulations and is not exhaustive. Investors should consult their tax adviser or legal counsel for advice and information concerning their specific situation. Neither Harbor Funds, nor any of its representatives, may give legal or tax advice.