



Tax-exempt interest dividends by state for Vanguard municipal bond funds and Vanguard Tax-Managed Balanced Fund

Important tax information for 2016

This update provides information to help your clients report earnings by state from any of their Vanguard municipal bond funds and Vanguard Tax-Managed Balanced Fund on their year-end tax returns. Tax-exempt interest dividends from these funds, as reported on Form 1099-DIV, Box 10, are taxed differently at the federal, state, and local levels, and may be subject to the alternative minimum tax.

Federal tax treatment. The tax-exempt interest dividends are 100% exempt from federal income tax.

State and local tax treatment. A portion of these dividends may be exempt from state and/or local tax, depending on where the return is filed. On the reverse side, you'll find the percentage that was earned in each state or U.S. territory during 2016. If your clients' state and/or local tax laws provide for the exemption, multiply the total income distribution shown on Form 1099-DIV, Box 10, by the appropriate percentage. This amount can be excluded, and the remaining balance should be reported on your clients' tax returns.

The tax-exempt interest dividends earned from obligations issued by U.S. territories are generally exempt from state income tax. Therefore, your clients may be able to add the "Outside the United States" percentages shown at the bottom of the table to their state-exempt percentage for a total exempt amount. Consult a tax advisor for more information.

Alternative minimum tax. Tax-exempt interest dividends from these funds may be subject to the federal alternative minimum tax. For further information, refer to Vanguard's update titled *Alternative minimum tax—Tax-preference dividends by fund 2016* (available at advisors.vanguard.com/taxcenter).

Do your clients invest in a Vanguard state-specific municipal bond fund?

If so, investment income received may not be subject to state income tax. In addition to being 100% exempt from federal income taxes, interest dividends from Vanguard state-specific municipal bond funds (listed below) are 100% exempt from state taxes to resident shareholders of that state. *For example, if you reside in California and own shares of Vanguard California Tax-Exempt Money Market Fund, the income reported on Form 1099-DIV, Box 10, is 100% exempt from California state income tax.* Note that tax-exempt income from a state-specific municipal bond fund may be subject to state-imposed alternative minimum tax requirements, depending on the state tax laws that apply.

Funds

Vanguard California Tax-Exempt Money Market Fund

Vanguard California Intermediate-Term Tax-Exempt Fund

Vanguard California Long-Term Tax-Exempt Fund

Vanguard Massachusetts Tax-Exempt Fund

Vanguard New Jersey Tax-Exempt Money Market Fund

Vanguard New Jersey Long-Term Tax-Exempt Fund

Vanguard New York Tax-Exempt Money Market Fund

Vanguard New York Long-Term Tax-Exempt Fund

Vanguard Ohio Tax-Exempt Money Market Fund

Vanguard Ohio Long-Term Tax-Exempt Fund

Vanguard Pennsylvania Tax-Exempt Money Market Fund

Vanguard Pennsylvania Long-Term Tax-Exempt Fund

Your clients should contact their state and local tax offices for their specific requirements. For more information, please contact Vanguard Financial Advisor Services™ at 800-997-2798 Monday through Friday from 8:30 a.m. to 7 p.m., Eastern time. Although our representatives are qualified to provide information about Vanguard investment products and services, they cannot provide tax advice. Advisors should consult an independent tax advisor regarding more complex tax situations. Advisors also can find a broad array of general tax-preparation data and tools in the Tax Center area of our website at advisors.vanguard.com.

Tax-exempt interest dividends by state for 2016

| State | Tax-Exempt Money Market Fund | Short-Term Tax-Exempt Fund | Limited-Term Tax-Exempt Fund | Intermediate-Term Tax-Exempt Fund | Long-Term Tax-Exempt Fund | High-Yield Tax-Exempt Fund | Tax-Managed Balanced Fund | Tax-Exempt Bond Index Fund |
|----------------------|------------------------------|----------------------------|------------------------------|-----------------------------------|---------------------------|----------------------------|---------------------------|----------------------------|
| Alabama | 0.25% | 0.71% | 0.42% | 0.84% | 1.31% | 1.09% | 0.35% | 0.86% |
| Alaska | 0.46 | 0.38 | 0.45 | 0.14 | 0.18 | 0.19 | 0.21 | 0.24 |
| Arizona | 1.18 | 1.00 | 1.36 | 2.15 | 1.14 | 0.97 | 2.58 | 1.14 |
| Arkansas | 0.00 | 0.15 | 0.24 | 0.11 | 0.08 | 0.16 | 0.16 | 0.02 |
| California | 3.21 | 11.26 | 10.99 | 12.41 | 17.25 | 13.55 | 14.89 | 15.44 |
| Colorado | 2.59 | 1.41 | 1.00 | 1.44 | 1.55 | 1.83 | 1.47 | 0.80 |
| Connecticut | 1.07 | 3.35 | 2.34 | 1.34 | 0.68 | 0.43 | 1.03 | 1.17 |
| Delaware | 0.08 | 0.13 | 0.31 | 0.06 | 0.03 | 0.04 | 0.11 | 0.27 |
| District of Columbia | 1.21 | 0.18 | 0.19 | 0.35 | 0.95 | 0.78 | 0.45 | 1.34 |
| Florida | 3.59 | 4.37 | 4.43 | 6.02 | 8.36 | 5.79 | 4.28 | 3.66 |
| Georgia | 1.32 | 3.75 | 2.86 | 2.23 | 2.07 | 1.74 | 1.81 | 1.86 |
| Hawaii | 0.71 | 0.36 | 0.98 | 0.71 | 1.05 | 0.71 | 1.63 | 0.77 |
| Idaho | 0.51 | 0.19 | 0.09 | 0.09 | 0.19 | 0.19 | 0.01 | 0.02 |
| Illinois | 4.84 | 4.57 | 5.22 | 7.44 | 8.73 | 10.17 | 7.11 | 6.83 |
| Indiana | 2.70 | 0.78 | 1.27 | 1.32 | 1.62 | 2.33 | 1.23 | 0.38 |
| Iowa | 0.12 | 0.17 | 0.65 | 0.42 | 0.40 | 1.04 | 0.37 | 0.11 |
| Kansas | 0.82 | 0.14 | 0.48 | 0.68 | 0.43 | 0.69 | 0.92 | 0.28 |
| Kentucky | 1.40 | 1.42 | 0.77 | 0.68 | 0.80 | 0.73 | 0.82 | 0.55 |
| Louisiana | 0.55 | 1.42 | 0.88 | 1.12 | 0.67 | 1.65 | 0.81 | 0.77 |
| Maine | 0.00 | 0.04 | 0.09 | 0.05 | 0.11 | 0.07 | 0.11 | 0.00 |
| Maryland | 1.71 | 3.24 | 3.28 | 2.01 | 1.15 | 0.95 | 2.50 | 2.18 |
| Massachusetts | 2.47 | 2.81 | 3.57 | 3.08 | 2.31 | 0.96 | 2.80 | 4.96 |
| Michigan | 2.97 | 2.75 | 2.76 | 3.23 | 2.58 | 3.60 | 2.83 | 1.89 |
| Minnesota* | 0.61 | 0.72 | 0.79 | 1.08 | 0.73 | 0.61 | 0.93 | 0.46 |
| Mississippi | 0.77 | 0.22 | 0.19 | 0.32 | 0.50 | 0.16 | 0.42 | 0.25 |
| Missouri | 2.83 | 0.73 | 0.90 | 1.03 | 1.01 | 0.96 | 0.93 | 0.34 |
| Montana | 0.04 | 0.02 | 0.10 | 0.02 | 0.04 | 0.00 | 0.01 | 0.00 |
| Nebraska | 1.25 | 0.55 | 0.83 | 0.42 | 0.30 | 0.31 | 0.56 | 0.33 |
| Nevada | 1.56 | 0.40 | 0.38 | 0.96 | 0.75 | 0.41 | 1.56 | 1.01 |
| New Hampshire | 0.16 | 0.06 | 0.11 | 0.13 | 0.31 | 0.19 | 0.28 | 0.07 |
| New Jersey | 3.75 | 5.38 | 6.38 | 4.33 | 3.76 | 8.45 | 4.23 | 9.46 |
| New Mexico | 0.64 | 0.69 | 0.61 | 0.21 | 0.38 | 0.12 | 0.36 | 0.05 |
| New York | 10.95 | 14.39 | 13.01 | 15.49 | 14.24 | 10.26 | 14.86 | 19.77 |
| North Carolina | 2.08 | 1.48 | 1.31 | 1.09 | 0.98 | 0.61 | 1.35 | 1.32 |
| North Dakota | 0.12 | 0.02 | 0.06 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| Ohio | 2.47 | 1.96 | 4.22 | 2.48 | 1.33 | 1.96 | 1.91 | 1.66 |
| Oklahoma | 0.20 | 0.22 | 0.12 | 0.24 | 0.02 | 0.28 | 0.13 | 0.03 |
| Oregon | 0.73 | 0.94 | 0.53 | 0.69 | 0.45 | 0.20 | 0.45 | 0.48 |
| Pennsylvania | 1.17 | 5.21 | 5.58 | 4.56 | 4.78 | 5.28 | 5.43 | 3.74 |
| Rhode Island | 0.26 | 0.34 | 0.44 | 0.30 | 0.30 | 0.32 | 0.03 | 0.04 |
| South Carolina | 0.75 | 0.53 | 1.21 | 1.14 | 1.61 | 1.40 | 1.04 | 1.65 |
| South Dakota | 0.27 | 0.03 | 0.02 | 0.05 | 0.16 | 0.20 | 0.23 | 0.00 |
| Tennessee | 2.87 | 1.43 | 1.88 | 1.08 | 0.92 | 1.28 | 1.86 | 0.26 |
| Texas | 7.33 | 12.97 | 8.85 | 10.08 | 8.57 | 9.64 | 9.03 | 10.21 |
| Utah | 0.45 | 0.30 | 0.44 | 0.33 | 0.27 | 0.34 | 0.31 | 0.58 |
| Vermont | 0.11 | 0.04 | 0.01 | 0.04 | 0.00 | 0.16 | 0.00 | 0.02 |
| Virginia | 1.25 | 1.62 | 2.10 | 1.39 | 1.33 | 1.82 | 1.24 | 0.77 |
| Washington | 1.45 | 2.61 | 2.73 | 2.84 | 1.75 | 1.14 | 2.46 | 2.20 |
| West Virginia | 0.50 | 0.18 | 0.24 | 0.32 | 0.55 | 0.32 | 0.09 | 0.01 |
| Wisconsin | 5.26 | 1.11 | 1.38 | 0.93 | 1.25 | 2.60 | 1.27 | 0.82 |
| Wyoming | 0.13 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.07 |

Outside the United States

| | | | | | | | | |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Guam | 0.00% | 0.01% | 0.06% | 0.04% | 0.00% | 0.18% | 0.36% | 0.00% |
| Puerto Rico | 0.00 | 0.00 | 0.00 | 0.24 | 0.07 | 1.31 | 0.24 | 0.00 |
| Virgin Islands | 0.00 | 0.16 | 0.27 | 0.06 | 0.11 | 0.25 | 0.13 | 0.00 |

Notes:

- The information provided above applies to all share classes of a fund.
- The percentage of assets that each of the Vanguard municipal bond funds and Vanguard Tax-Managed Balanced Fund have invested in each state and U.S. territory at the end of 2016 can be found in the "State-specific tax information" area of our Tax Center at advisors.vanguard.com.

*Minnesota requires that 95% of the tax-exempt interest dividends be derived from Minnesota source obligations in order for the income to be exempt from state tax. None of the funds met this criterion for 2016. Therefore, all tax-exempt interest dividends from these funds are subject to Minnesota state income tax.