

National Research Corporation 2018 Shareholder Distributions

During calendar year 2018, National Research Corporation (NRC) made four quarterly distribution payments to shareholders. Those distributions were all classified as ordinary dividend income for Form 1099-DIV reporting purposes. Distributions are generally treated as dividends to the extent there is sufficient earnings and profits of the company.

Based on the significant amount of shareholder distributions in 2018, including both the quarterly payments and payments related to the April 18, 2018 recapitalization, NRC determined that an Earnings and Profit (E&P) Study should be performed to determine the amount of accumulated E&P available for current and future shareholder distributions. The E&P Study was completed on August 14, 2019 and indicated that NRC did not have adequate E&P available to fund 100% of the shareholder distributions made in 2018. As a result of the E&P deficit, NRC determined that a portion of the July 2019 and October 2019 distributions were in fact a return of capital. Based on this information, amended 2018 Form 1099-DIV statements were issued in September 2019 to shareholders.

On October 1, 2019, NRC discovered that the August 14th E&P Study did not take into account an adjustment to the E&P calculation for 2017 related to the Tax Reform Act. The corrected calculation of accumulated E&P indicated that NRC did have sufficient accumulated and current E&P to fund 100% of the 2018 quarterly distributions (resulting in dividend treatment). As a result, subsequent amended 2018 Form 1099-DIV statements were issued in October that correctly report 100% of the 2018 distributions as ordinary dividend income (as originally reported on the initial 2018 Form 1099-DIV statements).