Verizon Communications Inc.
EIN: 23-2259884
Date of Action: June 21, 2018
Attachment to Internal Revenue Service Form 8937

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended, and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Exchange (as defined below) on the tax basis of the new notes issued by Verizon Communications Inc. ("Verizon") to holders of thirteen series of existing notes of Verizon in exchange therefor. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of holders. Verizon does not provide tax advice to holders of its debt obligations and the examples provided below are based on certain assumptions and are merely illustrative. Holders should consult their own tax advisers regarding the particular tax consequences of the Exchange to them, including the applicability and effect of all U.S. federal, state and local and foreign tax laws.

Line 10 – CUSIP Numbers:

Old Notes:	New Notes:
92343VCH5	92343VEQ3 and U9221ABK3
92343VDZ4	
92343VCC6	
92343VAX2	
92343VDG6	
92343VCN2	
92343VBC7	
92343VDQ4 / 92343VDM3 / U9221AAS7	
92343VDW1	
92343VDX9	
92343VBJ2	
92343VBR4	
92343VBY9	

14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

On June 21, 2018, holders of the thirteen series of existing notes of Verizon listed below under the heading "Old Notes" (collectively, the "Old Notes") exchanged their Old Notes for newly issued 4.329% notes due 2028 of Verizon (the "New Notes") (the "Exchange").

Old Notes

1. 2.625% notes due 2020
2. Floating rate notes due 2020
3. 3.450% notes due 2021
4. 4.600% notes due 2021
5. 1.750% notes due 2021
6. 3.000% notes due 2021
7. 3.500% notes due 2021
8. 2.946% notes due 2022
9. 3.125% notes due 2022
10. Floating rate notes due 2022
11. 2.450% notes due 2022
12. 5.150% notes due 2023
13. 4.150% notes due 2024

For more information, see the press release for the final results of the Exchange, available on the Verizon website:

https://www.verizon.com/about/sites/default/files/Verizon-June-5-Day-Exchange-and-Tender-Settlement-Date-Press-Release%20(1).pdf.

15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

<u>Exchange of the floating rate notes due 2020</u>

Based on applicable Internal Revenue Service ("IRS") guidance, Verizon took the position that the floating rate notes due 2020 are not treated as securities and therefore the exchange of the floating rate notes due 2020 for New Notes was a taxable transaction for U.S. federal income tax purposes. Accordingly, a holder would have recognized capital gain or loss (other than with respect to accrued market discount, which would be treated as ordinary gain) in an amount equal to the difference between the issue price of the New Notes and the holder's adjusted tax basis in the floating rate notes due 2020 tendered. A holder's initial tax basis in New Notes received in exchange for floating rate notes due 2020 is the issue price of the New Notes.

Exchange of the other Old Notes

Based on applicable IRS guidance, Verizon treated the exchange of the other series of Old Notes for New Notes as recapitalizations.

Recapitalizations generally do not result in the recognition of gain or loss, subject to certain exceptions. However, under the rules applicable to recapitalizations, a holder recognizes gain equal to the lesser of (i) the cash amount received (not including any accrued coupon payment) plus the fair market value of the "excess principal" amount received (collectively, "boot"), or (ii) the gain realized by the holder. The excess principal amount is the excess of the principal amount of New Notes received for a given series of Old Notes over the principal amount of such series of Old Notes surrendered for those New Notes. The gain realized by a holder is equal to the excess of (i) the issue price of the New Notes received in exchange for Old Notes of a given series, plus any cash received (not including any accrued coupon payment) with respect to such series of Old Notes over (ii) the holder's adjusted tax basis in such series of Old Notes that are surrendered in the exchange.

A holder's initial tax basis in the portion of New Notes that are not treated as boot is the same as the holder's tax basis in the Old Notes allocated thereto, increased by the amount of gain recognized by the holder in the exchange, if any, and decreased by the amount of boot that is received by the holder. The portion of the New Notes treated as boot has an initial tax basis in a holder's hands equal to the fair market value of those New Notes.

16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

As described in line 15 above, a holder's initial tax basis in New Notes received in a taxable exchange will equal the issue price of the New Notes on the date of the exchange. See line 19 regarding the issue price of the New Notes.

For New Notes received in an exchange treated as a recapitalization, as described in line 15 above, a holder's initial tax basis in the portion of New Notes that is not treated as boot will be the same as the holder's tax basis in the Old Notes allocated thereto, increased by the amount of gain recognized by the holder in the exchange, if any, and decreased by the amount of boot that is received by the holder. The portion of the New Notes treated as boot will have an initial tax basis in a holder's hands equal to the fair market value of those New Notes.

The following simplified examples (which include fractional portions of New Notes for purposes of the examples) illustrate a hypothetical U.S. holder's calculation of its adjusted tax basis in the New Notes received on the exchange date. Given our determination that the issue price of the New Notes is less than the face amount of the New Notes (see line 19 below), the examples assume that the fair market value and the issue price of the New Notes is less than their face amount. The examples below use simplified numbers and assumptions, are for illustrative purposes only, and do not purport to fully describe the actual facts or tax consequences that may apply to a particular holder. Holders should consult their own tax advisers regarding the particular tax consequences of the Exchange to them.

<u>Assumptions for Example 1 (consideration is equal to the principal amount of Old Notes):</u>

- Investor A exchanged $1,000 principal amount of a given series of Old Notes for a **total consideration of $1,000**, consisting of New Notes with a principal amount of $1,000.

- The excess principal amount of New Notes received is generally equal to the principal amount of the New Notes minus the principal amount of the Old Notes exchanged therefor; for Example 1, the excess principal amount is $0.

- The New Notes were issued at a fair market value ("FMV") and issue price of $985 per face amount of $1,000, or 98.50%. Thus, the issue price of New Notes received in exchange for $1,000 principal amount of Old Notes is $985 for New Notes with a principal amount of $1,000 (i.e., $1,000 x 98.50%).

Example 1 (A's basis in the Old Notes is equal to their face amount):

- In a one-for-one exchange in which no excess principal is received, Investor A will not receive any boot. Investor A's initial tax basis in the New Notes will be the same as his or her tax basis in the Old Notes. As a result, Investor A will not recognize gain or loss on the exchange.

<u>Assumptions for Example 2 (total consideration is less than the principal amount of Old Notes):</u>

- Investor A exchanged $1,000 principal amount of a given series of Old Notes for a **total consideration of $950**, consisting of New Notes with a principal amount of $950.

- The excess principal amount of New Notes received is generally equal to the principal amount of the New Notes minus the principal amount of the Old Notes exchanged therefor; for Example 2, the excess principal amount is $0.

- The New Notes were issued at a fair market value ("FMV") and issue price of $985 per face amount of $1,000, or 98.50%. Thus, the issue price of New Notes received in exchange for $1,000 principal amount of Old Notes is $935.75 for New Notes with a principal amount of $950 (i.e., $950 x 98.50%).

Example 2 (A's basis in the Old Notes is equal to their face amount):

Example 2

Old Notes:

- Principal Amount (*pa*): $1,000
- Tax Basis (*tb*): $1,000

	Exchange Terms		*Gain on the Exchange*			*New Notes Received*	
	Principal Amount	Issue Price[1]	Boot[2]	Gain Realized	Gain Recognized	Tax Basis (portion not boot)	Tax Basis (boot portion)
Exchanged for:	(A)	(B)	(C) = FMV of ((A) – (*pa*))	(D) = (B) - (*tb*)	(E) = Lesser of (C) or (D)	(F) = (*tb*) + (E) - (C)	(G) = FMV of ((A) – (*pa*))
New Notes of $950	$950	$935.75	$0	$0	$0	$1,000	N/A

[1] *See* assumptions. Represents the issue price of $950 of New Notes (i.e., $950 x 98.50%) received in exchange for $1,000 principal amount of Old Notes.

[2] *See* assumptions. Boot includes the FMV of the excess principal amount; for Example 2, the excess principal amount is $0.

<u>Assumptions for Example 3 (total consideration is greater than the principal amount of Old Notes):</u>

- Investor A exchanged $1,000 principal amount of a given series of Old Notes for a **total consideration of $1,150**, consisting of New Notes with a principal amount of $1,150.

- The excess principal amount of New Notes received is generally equal to the principal amount of the New Notes minus the principal amount of the Old Notes exchanged therefor; for Example 3, the excess principal amount for $1,150 principal amount of New Notes received is $150 ($1,150 – 1,000 = $150).

- The New Notes were issued at a fair market value ("FMV") and issue price of $985 per face amount of $1,000, or 98.50%. Thus, the issue price of New Notes received in exchange for $1,000 principal amount of Old Notes is: $1,132.75 for New Notes with a principal amount of $1,150 (i.e., $1,150 x 98.50%).

Example 3 (A's basis in the Old Notes is equal to their face amount):

Example 3

Old Notes:

- Principal Amount (*pa*): $1,000
- Tax Basis (*tb*): $1,000

	Exchange Terms		*Gain on the Exchange*			*New Notes Received*	
Exchanged for:	Principal Amount (A)	Issue Price[1] (B)	Boot[2] (C) = FMV of ((A) – (*pa*))	Gain Realized (D) = (B) - (*tb*)	Gain Recognized (E) = Lesser of (C) or (D)	Tax Basis (portion not boot) (F) = (*tb*) + (E) - (C)	Tax Basis (boot portion) (G) = FMV of ((A) – (*pa*))
New Notes of $1,150	$1,150	$1,132.75	$147.75	$132.75	$132.75	$985	$147.75

[1] *See* assumptions. Represents the issue price of $1,150 of New Notes (i.e., $1,150 x 98.50%) received in exchange for $1,000 principal amount of Old Notes.

[2] *See* assumptions. Boot includes the FMV of the excess principal amount; for Example 3, the FMV of the excess principal amount of $150 is $147.75 ($150 x 98.50%).

17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

Section 1001; Section 368(a)(1)(E); Section 354; Section 356; Section 358; Treasury Regulation section 1.1273-2.

18. Can any resulting loss be recognized?

A holder that exchanges Old Notes for New Notes in an exchange treated as a recapitalization generally will not be permitted to recognize any loss on the exchange. However, a holder may recognize a loss on an exchange treated as a taxable sale or exchange of floating rate notes due 2020, as discussed above in line 15.

19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The Exchange was consummated on June 21, 2018. For a holder whose taxable year is the calendar year, the reportable tax year is 2018.

Pursuant to U.S. Treasury Regulation section 1.1273-2(f)(9), Verizon has determined that, within the meaning of U.S. Treasury Regulation section 1.1273-2:

- The New Notes are "traded on an established market."
- The issue price of the New Notes is $985.76 per $1,000 face amount of such New Notes, or 98.576%.

More information relating to these determinations is available on Verizon's Investor Relations web page: http://www.verizon.com/about/investors/tax-information.