STERIS

This page contains certain information for U.S. investors regarding the taxation of your investment in STERIS. Shareholders should consult their own tax advisors as to their specific tax consequences. STERIS does not provide tax advice.

The extent to which STERIS plc's distributions are taxable as a dividend for U.S. tax purposes is reported to U.S. shareholders annually on IRS Form 1099-DIV and IRS Form 8937 is used to assist investors with cost basis reporting by identifying activities that occur throughout the year that could affect the cost basis of their investment. In compliance with U.S. Treasury Regulations, STERIS will post on our website each required Form 8937. Please see below for further information regarding STERIS's dividend and the related tax treatment.

What is happening?

STERIS plc and its predecessors have been paying a quarterly dividend to shareholders for almost two decades. Historically the dividend has been treated as ordinary income for U.S. investors. Beginning with the dividend paid in December 2023, some or all of the dividend may be treated as a return of capital distribution.

What is a return of capital distribution?

A return of capital distribution is a characterization of an entity's dividend payments to shareholders for income tax purposes. It is a distribution in excess of an entity's current and accumulated earnings and profits. Different from dividend income and capital gains distributions, return of capital distributions are currently non-taxable to shareholders, unless the distribution exceeds the shareholder's cost basis in the stock prior to the distribution. Cost basis is the original value of the stock for tax purposes, usually, the purchase price, adjusted for stock splits, dividends, and return of capital distributions.

Instead of being currently taxable, the return of capital distribution reduces the cost basis of the stock by the amount of the distribution. Ultimately, this increases the amount of capital gains (or decreases the capital loss) to be recognized when a shareholder sells their shares. The portion of dividend payments that are considered return of capital will be reported in Box 3 of the Form 1099-DIV that STERIS shareholders receive at the end of each tax year for a STERIS stock investment. It is possible that a portion of the dividends are classified as return of capital whereas the remaining portion of the dividends considered currently taxable income and reported in Box 1 of the Form 1099-DIV.

What are earnings and profits?

"Earnings and profits" is a tax accounting term that is applicable in the context of distributions made by a corporation. Earnings and profits represent a form of economic income based upon taxable income with certain adjustments. Earnings and profits are increased through earnings and decreased through losses and dividends to shareholders. If the current year or accumulated earnings and profits are greater than all distributions made during the year, the distributions are taxable dividends. But, if the payout is greater than the company's current and accumulated earnings and profits, the portion of the distribution in excess of the current and accumulated earnings and profits is a currently non-taxable return of capital that reduces a shareholder's cost basis, unless, as noted above, the distribution exceeds the shareholder's stock basis just prior to the distribution. If there is such an excess, that amount must be treated by the shareholder as capital gain.

Where do shareholders receive information about return of capital distribution allocation?

STERIS is required to complete and post on its website IRS Form 8937 which will provide details on the expected changes to tax basis on STE shares due to a portion or all of a distribution being classified as return of capital vs. dividend income for tax purposes. This form will be posted to the STERIS Investor Relations website within 45 days after a dividend payment if the distribution is expected to impact shareholder basis. Final estimation of return of capital vs. taxable dividend treatment is reported to shareholders on the Form 1099-DIV at the end of each tax year. The amount of the return of capital distribution will be reported in Box 3 of Form 1099-DIV.

Who maintains a shareholder's cost basis information?

It is the responsibility of each shareholder to maintain the cost basis of their shares. Shareholders should consult their own tax advisors as to their specific tax consequences. STERIS's Investor Relations department is not staffed by tax personnel and STERIS's personnel do not provide tax advice.