





**International Business Machines Corporation**

**EIN: 13-0871985**

**Date of Action: November 3, 2021**

**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 (the “Code”) and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Distribution (as defined below) on the tax basis of shares of International Business Machines Corporation (“IBM”) common stock (NYSE: IBM) and the allocation of tax basis between shares of IBM common stock and Kyndryl Holdings, Inc. (“Kyndryl Holdings”) common stock (NYSE: KD) pursuant to the Distribution. 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 stockholders. Neither IBM nor Kyndryl Holdings provides tax advice to its stockholders and the example provided below is merely illustrative. Stockholders are urged to consult their own tax advisors regarding the particular consequences of the Distribution to them, including the applicability and effect of all U.S. federal, state and local and foreign tax laws. Stockholders are urged to read the amended registration statement on Form 10 of Kyndryl Holdings, as filed with the Securities and Exchange Commission on October 12, 2021 (the “Form 10”), particularly the discussion beginning on page 123 under the heading “Material U.S. Federal Income Tax Consequences of the Spin-Off.” Stockholders may access the Form 10 at [www.sec.gov](http://www.sec.gov).

**Line 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 November 3, 2021, IBM distributed 80.1% of the outstanding shares of Kyndryl Holdings to IBM common stockholders. Each holder of IBM common stock received one share of Kyndryl Holdings common stock for every five shares of IBM common stock held as of the record date, October 25, 2021. No fractional shares of Kyndryl Holdings common stock were issued. Stockholders received cash in lieu of fractional shares of Kyndryl Holdings common stock that the stockholders of IBM otherwise would have been entitled to receive.

**Line 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.**

As a consequence of the Distribution, IBM stockholders will be required to allocate the aggregate tax basis in their IBM common stock held immediately before the Distribution between the Kyndryl Holdings common stock received in the Distribution (including any fractional share interest in Kyndryl Holdings for which cash is received) and their IBM common stock held immediately after the Distribution. A stockholder’s aggregate tax basis in such stockholder’s shares of IBM common stock held immediately prior to the Distribution should be allocated in

proportion to the relative fair market values of the IBM common stock and the Kyndryl Holdings common stock. Stockholders that acquired IBM common stock at different times or different prices must calculate their basis in each block of stock and then allocate a portion of that tax basis to the IBM common stock and the Kyndryl Holdings common stock received with respect thereto.

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how a stockholder should determine the fair market values of the IBM common stock and the Kyndryl Holdings common stock for purposes of allocating the stockholder's tax basis. Stockholders should consult their own tax advisor to determine what measure of fair market value is appropriate.

There are several possible methods for determining the fair market values of IBM common stock and Kyndryl Holdings common stock. One possible approach is to utilize the New York Stock Exchange market closing price on November 4, 2021, the date on which Kyndryl Holdings stock first traded, (the "**Closing Price**") as an indication of the fair market value. For IBM common stock the Closing Price was \$120.85 per share and for Kyndryl Holdings common stock the Closing Price was \$26.38 per share.

Based on that approach and the assumptions and calculations set forth in Line 16 below, 95.8% of an IBM stockholder's aggregate tax basis in shares of IBM common stock immediately prior to the Distribution would be allocated to such shareholder's shares of IBM common stock and 4.2% would be allocated to such shareholder's shares of Kyndryl Holdings common stock received in the Distribution (including any fractional share interest in Kyndryl Holdings for which cash is received). Other approaches to determine fair market value may also be possible. IBM stockholders are not bound by the approach illustrated above and may, in consultation with their own tax advisor, use another approach in determining fair market values for IBM common stock and Kyndryl Holdings common stock.

**Line 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, in general, IBM stockholders will be required to allocate the aggregate tax basis in their IBM common stock held immediately before the Distribution between the Kyndryl Holdings common stock received in the Distribution (including any fractional share interest in Kyndryl Holdings for which cash is received) and their IBM common stock held immediately after the Distribution.

The following is an example illustrating how the above-described approach to basis allocation would be applied.

Assumptions:

- Stockholder holds on the record date 50 shares of IBM common stock as a capital asset, all of which were acquired on November 1, 2018 in a single lot for \$110 per share.

- Upon the Distribution, Stockholder receives one share of Kyndryl Holdings common stock for every five shares of IBM common stock.
- Stockholder's aggregate tax basis in the 50 shares of IBM common stock and 10 shares of Kyndryl Holdings common stock is \$5,500.

Tax basis allocation:

	# Shares Owned	Assumed Beginning Basis	Price	FMV of Shares Owned	Percentage of Total FMV	Allocated Tax Basis
IBM common stock	50	\$5,500.00	\$120.85 <sup>1</sup>	\$6,042.50 <sup>3</sup>	95.8% <sup>5</sup>	\$5,269.00
Kyndryl Holdings common stock	10		\$26.38 <sup>2</sup>	\$263.80 <sup>4</sup>	4.2% <sup>6</sup>	\$231.00
Total				\$6,306.30	100%	\$5,500.00

<sup>1</sup> The Closing Price of IBM common stock on November 4, 2021.

<sup>2</sup> The Closing Price of Kyndryl Holdings common stock on November 4, 2021.

<sup>3</sup> 50 shares x \$120.85

<sup>4</sup> 10 shares x \$26.38

<sup>5</sup> \$6,042.50/\$6,306.30

<sup>6</sup> \$263.80/\$6,306.30

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

Section 355; Section 358; Section 368; Section 1001; Section 1223.

**Line 18 – Can any resulting loss be recognized?**

Generally, no gain or loss will be recognized for tax purposes as a result of the Distribution. An IBM stockholder who receives cash in lieu of a fractional share of Kyndryl Holdings common stock will recognize gain or loss equal to the difference between the amount of cash received and

the tax basis in such stockholder's fractional share. The deductibility of capital losses is subject to limitations.

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

The Distribution was consummated on November 3, 2021. For an IBM stockholder whose taxable year is the calendar year, the reportable tax year is 2021.