

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name KAR Auction Services, Inc.		2 Issuer's employer identification number (EIN) 20-8744739	
3 Name of contact for additional information Michael Eliason	4 Telephone No. of contact (317) 249-4559	5 Email address of contact mike.eliason@karauctionservices.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 13085 Hamilton Crossing Blvd.		7 City, town, or post office, state, and ZIP code of contact Carmel, IN 46032	
8 Date of action June 28, 2019		9 Classification and description Section 355 spin-off of IAA, Inc.	
10 CUSIP number 48238T109	11 Serial number(s)	12 Ticker symbol KAR	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

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 ▶ See attached statement.

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 ▶ See attached statement.

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 ▶ See attached statement.

Part II Organizational Action (continued)

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

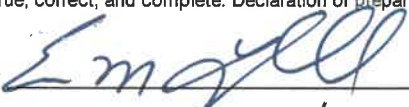
Blank lines for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ See attached statement.

Blank lines for providing information regarding loss recognition.

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

Blank lines for providing other information necessary for the adjustment.

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.			
	Signature ▶ 	Date ▶ 7/22/2019		
Paid Preparer Use Only	Print your name ▶ Eric M. Loughmiller	Title ▶ EVP and CFO		
	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN
	Firm's name ▶			Firm's EIN ▶
	Firm's address ▶			Phone no.

KAR Auction Services, Inc.

EIN: 20-8744739

**ATTACHMENT TO FORM 8937 – PART II
REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES**

CONSULT YOUR TAX ADVISOR

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”), related to the effects of the Distribution (as defined below) on the tax basis of the stock of KAR Auction Services, Inc. (“KAR”) and the allocation of said tax basis between the stock of KAR and IAA, Inc. (“IAA”) following 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 shareholders. All holders of KAR stock should consult their own tax advisors with respect to the specific U.S. federal, state and local and non-U.S. tax consequences of the Distribution to them in light of their particular circumstances. Further, the information contained herein does not apply to shareholders of KAR common stock who sold, exchanged or otherwise disposed of their common stock prior to the Distribution.

Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which the shareholders’ ownership is measured from the action.

On June 28, 2019 (the “Distribution Date”), pursuant to the terms and conditions of the Separation and Distribution Agreement dated June 27, 2019 by and between KAR and IAA, KAR distributed to its shareholders, on a pro rata basis, all of the issued and outstanding shares of IAA common stock (the “Distribution”). Pursuant to the Distribution, each holder of KAR common stock as of 5:00 pm EDT on June 18, 2019 (the “Record Date”) received one (1) share of IAA common stock for every one (1) share of KAR common stock held as of the Record Date. KAR shareholders also received cash in lieu of any fractional shares of IAA common stock.

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 result of the Distribution, KAR shareholders will be required to allocate the aggregate tax basis in their KAR common shares held immediately prior to the Distribution among (i) their IAA common shares received in the Distribution (including any fractional shares of IAA common stock for which cash is received) and (ii) their KAR common shares held immediately after the distribution. This allocation should be made in proportion to the fair market values of the IAA common stock and the KAR common stock. For an illustrative application of the approach described above, please see Item 16 below. Shareholders that acquired KAR common shares at different prices will need to calculate their tax basis in each KAR common share held immediately prior to the Distribution and then allocate, under the aforementioned approach, on a share-by-share basis to the shares of IAA common stock received with respect thereto in the Distribution.

U.S. federal income tax law does not prescribe how you should determine the fair market values of the KAR common stock and the IAA common stock for purposes of allocating your tax basis. We take no position herein, including in the Item 16 example below, as to an appropriate method for determining fair market value. As such, you, in consultation with your tax advisor, should determine what approach to take in determining fair market values for KAR and IAA common stock.

Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market value of securities and the valuation date.

The following is an illustrative example of how the approach to basis allocation discussed in Item 15 would apply to a hypothetical KAR shareholder who, after consultation with her/his tax advisor, determines the fair market values of the IAA common stock and KAR common stock using the closing market price of each stock on the Distribution Date. You are not bound by the approach illustrated below, and we take no position as to whether the approach illustrated below or any other approach is appropriate. As such, before applying any approach, you should consult your tax advisor.

Illustrative Assumptions:

- Shares of KAR common stock owned immediately before the Distribution: 1,000
- KAR shareholder's aggregate tax basis immediately before the Distribution (assumes all 1,000 common shares acquired in one transaction for \$60 per share): \$60,000.00
- Shares of IAA common stock received in the Distribution: 1,000
- Illustrative fair market values of IAA common stock and KAR common stock: \$38.78 and \$25.00, respectively as illustrated using the closing market price of each stock on the Distribution Date

Illustrative Tax Basis Allocation:

	# Shares Owned Immediately After the Distribution	Illustrative Fair Market Value Per Share	Percentage of Total Fair Market Value	Allocated Tax Basis
KAR common stock	1,000	\$25.00	39.20%	\$23,520.00
IAA common stock	1,000	\$38.78	60.80%	\$36,480.00
Total	2,000	\$63.78	100.00%	\$60,000.00

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

Sections 355, 358 and 368(a)(1)(D).

Line 18. Can any resulting loss be recognized?

No loss may be recognized by a KAR shareholder upon the receipt of IAA common stock in the Distribution, except possibly with respect to cash received in lieu of a fractional share of IAA common stock.

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

The Distribution was effective on June 28, 2019. For a KAR shareholder whose taxable year is the calendar year, the reportable tax year is 2019.