

## Kinetics Mutual Funds, Inc.

---

Enclosed is the 2007 tax form for your Kinetics Funds. The Form provides information on any applicable 2007 distributions and proceeds from redemptions. Please note that all information contained in this form has been provided to the Internal Revenue Service.

Some states do not tax their residents on income received from a mutual fund that is earned from U.S. Government obligations. The following table shows the percentage of total ordinary income dividends that was attributable to interest earned from direct U.S. Government obligations:

<b><u>Fund Name</u></b>	<b><u>% of Income Attributable to Direct U.S. Govt. Obligations</u></b>
The Internet Fund	6.19%
The Medical Fund	25.77%
The Internet Emerging Growth Fund	7.25%
The Paradigm Fund	27.09%
The Small Cap Opportunities Fund	27.74%
The Kinetics Government Money Market Fund	99.44%
The Kinetics Market Opportunities Fund	17.20%
The Kinetics Water Infrastructure Fund	52.28%

Depending on your state's personal income tax laws, you may be entitled to declare the above portion of your 2007 ordinary income dividends (Box 1) as tax-exempt income on your state personal income tax return. However, some states do not allow the "pass through" of this exempt-interest income unless the percentage earned from U.S. Government Obligations exceeds certain thresholds or unless other requirements are met. Please consult your tax adviser or state authorities if you have any questions regarding the percentage of income you can exclude when calculating your state income tax.