

MEMO# 31114

March 5, 2018

Letter to Treasury Requesting Guidance on Application of New Interest Expense Limitation to RICs

[31114]

March 5, 2018 TO: ICI Members SUBJECTS: Tax RE: Letter to Treasury Requesting Guidance on Application of New Interest Expense Limitation to RICs

The Institute has submitted the attached letter to the Treasury Department requesting clarification on the application of section 163(j) to regulated investment companies (RICs). In general, section 163(j), as amended by the recently enacted tax legislation,^[1] limits the deduction for net business interest expense to 30 percent of the taxpayer's adjusted taxable income. Business interest is any interest paid or accrued on indebtedness allocable to a trade or business and does not include investment interest.

The Institute seeks clarification from the Treasury Department and the Internal Revenue Service (IRS) regarding whether the amended section applies to RICs and, if so, confirmation that (i) a RIC's interest income is properly allocable to the RIC's trade or business; (ii) adjusted taxable income includes all of the RIC's income and gains; and (iii) a RIC's adjusted taxable income for purposes of the new limitation is determined before the application of the dividends paid deduction (DPD) under section 561.

Karen Lau Gibian
Associate General Counsel

[Attachment](#)

endnotes

^[1] See Institute Memorandum No. 30991, dated December 21, 2017, which can be found at: https://www.ici.org/my_ici/memorandum/memo30991.

Source URL: <https://icinew-stage.ici.org/memo-31114>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.