

**MEMO# 21614**

September 24, 2007

# **Institute Letter to Finance and Ways & Means Committees Regarding Mandatory Cost Basis Reporting for Mutual Funds**

[21614]

September 24, 2007

TO: FEDERAL LEGISLATION MEMBERS No. 5-07  
TAX MEMBERS No. 40-07  
OPERATIONS MEMBERS No. 17-07  
SMALL FUNDS MEMBERS No. 86-07  
BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 35-07  
BROKER/DEALER ADVISORY COMMITTEE No. 58-07  
TRANSFER AGENT ADVISORY COMMITTEE No. 62-07    RE: INSTITUTE LETTER TO FINANCE  
AND WAYS & MEANS COMMITTEES REGARDING MANDATORY COST BASIS REPORTING FOR  
MUTUAL FUNDS

Institute President Paul Schott Stevens submitted the attached letters to members of the Senate Finance Committee and the House of Representatives Ways and Means Committee regarding legislation that would mandate cost basis reporting by brokers, including mutual funds, on the sale or redemption of certain securities. The letters urge the committees to consider certain changes suggested by the Institute [\[1\]](#) to the Simplification Through Additional Reporting Tax ("START") Act of 2007, introduced in the House (H.R. 878) and Senate (S. 601).

The Institute's letter notes that the changes recommended by the Institute are necessary so that mandatory cost basis reporting is administrable and effective for shareholders, funds, brokers and other distributors, and the government. These changes will ensure that

funds are able to comply with the new requirements and that the information provided to shareholders is accurate and useful.

The Institute also urges the committees to provide an appropriate effective date so that the necessary programming and systems challenges are addressed effectively. Funds must be given sufficient time after the enactment of any mandatory basis reporting regime to implement the new rules.

Finally, the Institute argues that it is imperative that the flexibility under current law, which allows mutual funds and their shareholders to compute cost basis under any available method, be maintained. Importantly, funds should be allowed to continue providing cost basis information under any available method and should not be required to use the method chosen by the taxpayer.

Karen Lau Gibian  
Assistant Counsel

#### [Attachment](#)

[\[1\]](#) See Institute [Memorandum](#) (21321) to Tax Members No. 28-07, Operations Members No. 11-07, Federal Legislation Members No. 3-07, Small Funds Members No. 50-07, Bank, Trust and Recordkeeper Advisory Committee No. 17-07, Broker/Dealer Advisory Committee No. 29-07, and Transfer Agent Advisory Committee No. 39-07, dated July 2, 2007.

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