

MEMO# 32750

September 10, 2020

Draft Letter to IRS and Treasury on Fund Liquidations -- Comments Requested

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September 10, 2020 TO: Tax Committee RE: Draft Letter to IRS and Treasury on Fund Liquidations -- Comments Requested

Attached for your review is a draft letter to the Internal Revenue Service (IRS) and the Treasury Department requesting clarification on certain issues arising from the liquidation of regulated investment companies (RICs). Specifically, the letter requests that the IRS and Treasury Department:

1. Provide that a RIC that is not a personal holding company (PHC) will not be treated as a PHC once the RIC's board of directors has approved a plan of liquidation, so long as the RIC liquidates within 90 days of the approval of such plan;
2. Treat a RIC as satisfying the asset diversification test in section 851(b)(3), the requirements for the tax-exempt interest pass-through in section 852(b)(5), and the requirements for the foreign tax credit pass-through in section 853(a)(1), so long as the RIC satisfies such requirements on the date the RIC's board approves a plan of liquidation (and has otherwise satisfied the requirements for prior quarters in the taxable year, as applicable), and so long as the RIC liquidates within 90 days of the approval of such plan; and
3. Simplify the tax reporting of liquidating distributions from a RIC by:
 - a. Clarifying whether liquidating distributions from a RIC should be reported on IRS Form 1099-DIV or 1099-B; and
 - b. Providing that RICs may satisfy the requirement to report the character of certain dividends to shareholders in a "written statement" by posting the information on their public websites.

Please provide any comments on the draft letter to me (202-371-5432 or kgibian@ici.org) by **Friday, October 9, 2020**.

Karen Lau Gibian
Associate General Counsel

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