

MEMO# 21335

July 10, 2007

Institute Comment Letter on Apportionment Rules for RIC Service Providers in Michigan Legislation

[21335]

July 10, 2007

TO: ADVISER DISTRIBUTOR TAX ISSUES TASK FORCE No. 10-07
TAX MEMBERS No. 29-07 RE: INSTITUTE COMMENT LETTER ON APPORTIONMENT RULES
FOR RIC SERVICE PROVIDERS IN MICHIGAN LEGISLATION

Attached is the Institute's comment letter regarding Michigan's proposed apportionment rules for sales derived from services to regulated investment companies ("RICs"). The Michigan legislature currently is considering legislation (S 95 and HB 4367) that would require RIC service providers to apportion sales to Michigan to the extent that the RIC's shareholders are domiciled in Michigan.

The Institute recommends a number of clarifications to the legislation. First, the letter requests that the legislation be revised to include administrable rules for shareholder-based allocation of shares held in omnibus accounts, including retirement plans. Specifically, we request that RIC service providers be permitted to (i) obtain shareholder information from reasonable sources; (ii) use reasonable methods, such as census data or extrapolation, to determine the proper assignment of shares; and (iii) have the option of sourcing shares based on the shareholder of record's address.

Second, the letter requests that the legislation be revised to permit a RIC service provider to use its own taxable year (rather than the taxable year of the RIC) in computing the shareholder ratio for the RICs it services. Using the RIC service provider's taxable year will

be more administrable, especially for service providers that have hundreds of funds with taxable years spread out across all twelve months. Finally, the letter urges that the Michigan legislature adopt an effective date that provides sufficient time for RIC service providers to modify their systems to comply with new rules.

Lisa Robinson
Associate Counsel

[Attachment](#)

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.