

MEMO# 27131

March 27, 2013

Draft Comments on Ways & Means Financial Products Discussion Draft; Call Scheduled for April 3 at 2:00 P.M. ET

[27131]

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TO: TAX COMMITTEE No. 7-13 RE: DRAFT COMMENTS ON WAYS & MEANS FINANCIAL
PRODUCTS DISCUSSION DRAFT; CALL SCHEDULED FOR APRIL 3 AT 2:00 P.M. ET

Attached for your review are draft Institute comments on the discussion draft recently released by the Ways & Means Committee regarding the taxation of financial products. [\[1\]](#) The draft comments reflect discussions with the Tax Committee during the February meeting and March conference call.

The draft comments focus primarily on the two proposals that are of the most interest to the industry. First, the comments assert that, although more uniform taxation of derivatives benefits both mutual funds and our investors, the current proposal raises several concerns that must be addressed. These include the broad definition of "derivative," the decision to treat marked gains and losses as ordinary, and the application of the straddle rules. Second, we urge the Committee to drop the proposal that would require all taxpayers to compute gain or loss on securities using the average cost basis method. Given the complexities of applying average cost to all taxpayers, including mutual funds with respect to their portfolios, we argue that this proposal is not workable and would not improve tax compliance.

We have scheduled a conference call for Wednesday, April 3rd, at 2:00 p.m. ET, to discuss the draft comments. The dial-in number for the call is 800-593-0705 and the passcode is 3830392. You also may provide comments to Keith Lawson (202-326-5832 or lawson@ici.org) or me (202-371-5432 or kgibian@ici.org) no later than the close of business on Tuesday, April 9.

Karen Lau Gibian
Associate Counsel

[Attachment](#)

endnotes

[1] See Institute Memorandum ([26948](#)) dated January 25, 2013.

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