

MEMO# 31099

February 21, 2018

Draft Letter to Treasury and IRS on Application of Interest Expense Limitation to RICs

[31099]

February 21, 2018 TO: Tax Committee RE: Draft Letter to Treasury and IRS on Application of Interest Expense Limitation to RICs

Attached for your review is a draft letter to the Treasury Department and the Internal Revenue Service (IRS) requesting clarification on the application of the new business interest expense limitation to regulated investment companies (RICs). Section 163(j), as amended by the recently enacted tax legislation,^[1] generally limits a corporation's deduction for net business interest expense to 30 percent of the corporation's adjusted taxable income. The application of these new rules to RICs is unclear.

The Institute is asking the Treasury Department and the IRS to clarify whether amended section 163(j) applies to RICs and, if so, whether a RIC's adjusted taxable income for purposes of the new limitation (i) is determined before or after the application of the dividends paid deduction under section 561, and (ii) includes all of the RIC's income and gains.

We will discuss the draft letter at the Tax Committee meeting on Monday, February 26.^[2] You also may provide comments to me (202-371-5432 or kgibian@ici.org) no later than 5:00 p.m. ET on Monday, February 26, 2018.

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.

[2] See Institute Memorandum No. 31086, dated February 14, 2018, which can be found at: https://www.ici.org/my_ici/memorandum/memo31086.

Source URL: <https://icinew-stage.ici.org/memo-31099>

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.