

MEMO# 30822

August 9, 2017

ICI Letter on Qualified Interest Income (QII)

[30822]

August 9, 2017 TO: ICI Members
ICI Global Members
ICI Global Tax Committee
Tax Committee SUBJECTS: International/Global
Money Market Funds
Tax RE: ICI Letter on Qualified Interest Income (QII)

The ICI recently became aware that government money market funds qualifying as regulated investment companies are having increasing difficulty making distributions that are fully exempt from US withholding tax when paid to foreign investors. This withholding tax difficulty arises, as explained in the attached letter, because of changes in the repo market and the requirement that qualified interest income (QII) have a US source.

To resolve this difficulty, and enhance the attractiveness of US money market funds to foreign investors, we request IRS guidance clarifying that amounts received on repos, that are collateralized solely by US government securities, will be treated as US source income in determining QII.

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[Attachment](#)