

MEMO# 23151

December 24, 2008

IRS Safe Harbor for Amounts Received by Money Market Fund

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TO: INST. MONEY MARKET FUNDS ADVISORY COMMITTEE No. 39-08
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 44-08
SEC RULES MEMBERS No. 147-08 TAX MEMBERS No. 54-08 RE: IRS SAFE HARBOR FOR
AMOUNTS RECEIVED BY MONEY MARKET FUND

We are pleased to inform you that, as requested by the ICI, the Internal Revenue Service ("IRS") today issued the attached guidance (Revenue Procedure 2009-10) providing safe harbor treatment for certain payments received by a money market fund regulated under Rule 2a-7 of the Investment Company Act of 1940. Specifically, the IRS will not challenge the treatment as short-term capital gain, in the year received, of amounts paid by a money market fund's advisor to the fund in the following two situations:

- amounts paid by the fund's advisor to the fund to maintain a constant net asset value ("payments"); and
- any amount paid by the fund's advisor to purchase an asset of the money market fund to the extent that the amount paid exceeds the asset's fair market value ("excess amounts").

Because treatment of these amounts as short-term capital gain effectively allows these amounts to be offset by the money market fund's losses, that potentially could have impaired the fund's constant net asset value, the payments will not cause the fund to have income that must be distributed.

The safe harbor is effective with respect to payments and excess amounts received by a money market fund before January 1, 2010.

Keith Lawson
Senior Counsel – Tax Law

[Attachment](#)

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