

MEMO# 21621

September 21, 2007

Clarifications Regarding 2007 Year-end Reporting Layouts

[21621]

September 21, 2007

TO: ACCOUNTING/TREASURERS COMMITTEE No. 19-07
BANK AND TRUST ADVISORY COMMITTEE No. 34-07
BROKER/DEALER ADVISORY COMMITTEE No. 57-07
CLOSED-END INVESTMENT COMPANY COMMITTEE No. 33-07
OPERATIONS COMMITTEE No. 24-07
TAX COMMITTEE No. 39-07
TRANSFER AGENT ADVISORY COMMITTEE No. 61-07 RE: CLARIFICATIONS REGARDING
2007 YEAR-END REPORTING LAYOUTS

When completing the "Primary," "Secondary" and "NRA" Layouts, please consider the following clarifications to the Instructions:

- Primary Layout Columns 11, 12 and 13 should be labeled 2006, 2008 and 2007, respectively.
- Primary Layout Instruction 22 should state that the amount entered in Column 27 (Foreign Tax Paid) should be the same as the amount entered in Column 16 (Foreign Tax Paid).
- Primary Layout Column 31 requests the percentage of Exempt Interest Dividends (Column 30) that must be treated as a "preference item" by those taxpayers subject to the alternative minimum tax. Do not report a per share rate amount. Report a percentage. Funds may report the percentage either as a detailed percentage or an annualized percentage (annualized percentages were used when AMT percentages were reported on the Secondary Layout).
- Reporting Exempt-Interest Percentage for Utah on Secondary Layout. Secondary Layout Instruction 14 requests the reporting of income "attributable to interest on

obligations issued by [each] state “ as a percent of the amount reported as exempt-interest dividends (Column 30) on the Primary Layout. The sum of the entries for each state on the Secondary Layout should not fall below 100%.

Exempt income for Utah includes interest from obligations issued by other states before 2003 and from obligations issued by states that do not impose tax on Utah obligations. Funds should follow the Secondary Layout instructions and report the percentage of exempt-interest dividends associated with the state of Utah. Do not report in this column information for other states’ obligations or for states that do not impose tax on Utah obligations. Funds may provide a supplemental statement for residents of Utah outlining the percentage that is exempt for residents of Utah.

- For 2007 we added new columns 69-79 to the Secondary Layout for reporting federal exempt securities, indirect federal obligations and income from repurchase agreements. Some members stated that it would be helpful to include columns for reporting some or all of this information. Reporting information in columns 69-79 is optional.
- Secondary Layout Column 72 is the column for reporting exempt interest from obligations of the Student Loan Marketing Association (“Sallie Mae”). Sallie Mae terminated its status as a government-sponsored enterprise and privatized its operations at the end of 2004. Sallie Mae obligations currently are taxable. Information provided in Column 72 should relate only to exempt obligations (obligations issued prior to Sallie Mae’s privatization).

The final “Primary,” “Secondary” and “NRA” Layouts were released on July 12, 2007. [1] These formats are available on the Institute’s members only website at <http://members.ici.org/yearendtax.do>. [2]

The rules governing the proper tax characterization of distributions by mutual funds can be complex. Each fund should consult its own tax advisor regarding the proper tax characterization and reporting of the fund’s distributions.

Lisa Robinson
Associate Counsel

endnotes

[1] See Institute [Memorandum](#) (21354) to Accounting/Treasurers Committee No. 14-07, Bank and Trust Advisory Committee No. 19-07, Broker/Dealer Advisory Committee No. 32-07, Closed-End Investment Company Committee No. 23-07, Operations Committee No. 14-07, Tax Committee No. 30-07 and Transfer Agent Advisory Committee No. 41-07, dated

July 12, 2007.

[\[2\]](#) Hard copies of the documents and spreadsheets are available to the Institute's members upon request to the Institute's Ezella Wynn (ewynn@ici.org or 202/218-3560).

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