

MEMO# 24046

December 22, 2009

Auction Rate Preferred Stock Guidance (Notice 2008-55) Extended

[24046]

December 22, 2009

TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 67-09
TAX MEMBERS No. 38-09
SEC RULES MEMBERS No. 143-09
FIXED-INCOME ADVISORY COMMITTEE No. 36-09
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 59-09 RE: AUCTION RATE PREFERRED
STOCK GUIDANCE (NOTICE 2008-55) EXTENDED

As requested by the Institute, [\[1\]](#) the Treasury Department and the Internal Revenue Service (“IRS”) today, in Notice 2010-3 (attached), extended for one year the guidance previously issued in Notice 2008-55 regarding Auction Rate Preferred Stock (“ARPS”). [\[2\]](#) _

The 2008 Notice, as we previously informed you, provides that the IRS will not challenge the equity characterization of ARPS issued by closed-end funds that are supported by a liquidity facility, provided that certain conditions are satisfied. As originally issued, the Notice applies to ARPS that were outstanding on February 12, 2008, and for which a liquidity facility is entered into on or before December 31, 2009.

The new guidance (Notice 2010-3) extends the time period during which an initial liquidity facility can be entered into until December 31, 2010.

Keith Lawson
Senior Counsel - Tax Law

[Attachment](#)

endnotes

[1] See Institute [Memorandum](#) (23764) to Closed-End Investment Company Members No. 35-09 and Tax Members No. 21-09, dated September 4, 2009.

[2] See Institute [Memorandum](#) (22610) to Closed-End Investment Company Members No. 20-08, Tax Members No. 23-08, SEC Rules Members No. 50-08, Fixed-Income Advisory Committee No. 14-08, and Money Market Funds Advisory Committee No. 13-08, dated June 16, 2008. See also Institute [Memorandum](#) (22644) to Closed-End Investment Company Members No. 23-08, Tax Members No. 25-08, SEC Rules Members No. 55-08, Fixed-Income Advisory Committee No. 17-08, and Money Market Funds Advisory Committee No. 16-08, dated June 25, 2008.

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