

MEMO# 29797

March 29, 2016

Letter to IRS Withdrawing Request for Guidance Permitting Tax-Free Reorganizations by Money Market Funds

[29797]

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TO: ACCOUNTING/TREASURERS MEMBERS No. 5-16
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 8-16
VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 6-16
TAX MEMBERS No. 5-16 RE: LETTER TO IRS WITHDRAWING REQUEST FOR GUIDANCE
PERMITTING TAX-FREE REORGANIZATIONS BY MONEY MARKET FUNDS

The Institute recently submitted the attached letter to the Internal Revenue Service (“IRS”) withdrawing its request for guidance permitting money market funds to treat certain reorganizations as tax-free under section 368. [\[1\]](#) We understand that none of our members currently plan to utilize such a strategy in preparation for compliance with the Securities and Exchange Commission (“SEC”) money market fund rule adopted in 2014. Given the number of other guidance requests pending before the IRS and the Treasury Department in connection with the SEC money market fund rule, the Institute hopes that withdrawing this request will allow the government to focus on more important issues.

The letter also reiterates the industry’s priorities with respect to money market funds. First, the issue for which most immediate guidance is necessary is the diversification of variable insurance product money market funds under section 817(h). [\[2\]](#) The second issue for which immediate guidance is necessary is the tax treatment of adviser contributions. [\[3\]](#) Finally, the Institute notes that it remains vitally important to the success of the new SEC rule that the proposed regulations under sections 446 and 6045 be finalized.

Karen Lau Gibian
Associate General Counsel

[Attachment](#)

endnotes

[1] See Institute Memorandum [28814](#), dated March 11, 2015; Institute Memorandum [28478](#), dated October 23, 2014.

[2] See Institute Memorandum [29529](#), dated December 7, 2015.

[3] See Institute Memorandum [29051](#), dated June 4, 2015.

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