

**MEMO# 22600**

June 10, 2008

## **Minnesota Enacts RIC Service Provider Apportionment Rules**

[22600]

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TO: ADVISER DISTRIBUTOR TAX ISSUES TASK FORCE No. 9-08  
TAX MEMBERS No. 22-08 RE: MINNESOTA ENACTS RIC SERVICE PROVIDER  
APPORTIONMENT RULES

Minnesota Governor Tim Pawlenty has signed into law an omnibus tax bill (HF 3149) that includes apportionment rules applicable to “receipts from management, distribution or administrative services performed by a corporation or trust” for a regulated investment company (“RIC service provider”). Go to <https://www.revisor.leg.state.mn.us/bin/showPDF.php> to read the legislation (amended §290.191, Subdivision 5 begins on page 40; the apportionment provision is on page 42).

A RIC service provider’s income is apportioned to Minnesota if the underlying RIC shareholder resides in Minnesota. A RIC service provider’s receipts are attributed to Minnesota shareholders based on the ratio of (1) the average of the outstanding shares in the RIC owned by shareholders residing within Minnesota at the beginning and end of each year; and (2) the average of the total number of outstanding shares in the fund at the beginning and end of each year.

Shareholder residence for individuals is based on the mailing address furnished by the shareholder to the RIC. If an insurance company holds shares as a depositor for an insurance company policyholder, then shareholder residence is based on the mailing address of the policyholder. However, if an insurance company holds shares on behalf of policyholders whose mailing address cannot be determined, then receipts associated with

such policyholders must be excluded from both the ratio's numerator and denominator. The residence of all other shareholders is the mailing address.

The legislation is effective for taxable years beginning after December 31, 2009.

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