

MEMO# 3310

December 3, 1991

MINNESOTA CLARIFIES NEW EXEMPT-INTEREST REPORTING REQUIREMENTS

December 3, 1991 TO: CLOSED-END FUND MEMBERS NO. 52-91 MONEY MARKET MEMBERS - ONE PER COMPLEX NO. 31-91 TAX MEMBERS NO. 57-91 RE: MINNESOTA CLARIFIES NEW EXEMPT-INTEREST REPORTING REQUIREMENTS

As we previously informed you, Minnesota enacted legislation this year which requires regulated investment companies ("RICs") whose shares are registered in Minnesota to report to Minnesota shareholders to whom the RIC pays more than \$10 per year in exempt-interest dividends the amount of those dividends paid in that tax year. (See Institute Memorandum to Money Market Members - One Per Complex No. 15-91, Closed-End Fund Members No. 23-91 and Tax Members No. 19-91, dated June 4, 1991.) The legislation also requires that the report include a clear statement, in the form prescribed by the Minnesota Commissioner of Revenue, that the non-Minnesota exempt-interest dividends must be included in the computation of Minnesota taxable income. The Institute requested that the Minnesota Commissioner of Revenue clarify certain points. (See Institute Memorandum to Tax Committee No. 27-91 and to Minnesota Members, dated August 23, 1991.) We are pleased to inform you that the Commissioner, in the attached Revenue Notice #91-17, has responded positively to all of the Institute's requests. First, the Commissioner has proposed preferred language which may be used to inform Minnesota shareholders of the amount of exempt-interest dividends subject to Minnesota income tax. However, no specific language is required so long as the basic information as to the amount or portion of the exempt-interest dividends subject to tax is imparted to the shareholders. Second, the period for which the reporting is to be done is the calendar year rather than the RIC's tax year as the statutory language appears to suggest. Third, no specific form is required for the report; it may either be on Form 1099 or a separate statement. Finally, if all exempt-interest dividends are also exempt from Minnesota tax, no report need be made. We will keep you informed of further developments. David J. Mangefrida Jr. Assistant Counsel - Tax Attachment

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