

MEMO# 3306

December 4, 1991

FINAL AND TEMPORARY REMIC INFORMATION REPORTING REGULATIONS

December 4, 1991 TO: TAX MEMBERS NO. 59-91 ACCOUNTING/TREASURERS MEMBERS NO. 33-91 RE: FINAL AND TEMPORARY REMIC INFORMATION REPORTING REGULATIONS

The Internal Revenue Service has issued the attached three sets of regulations (one final and two proposed sets of regulations) on the information reporting and other requirements related to real estate mortgage investment conduits ("REMICs") and other issuers of collateralized debt obligations. Among the provisions of the regulations are some which would be of interest to regulated investment companies ("RICs") which may own regular or residual interests in REMICs or interests in collateralized debt obligations. The first set of regulations finalizes earlier proposed regulations. Under the final regulations, REMICs must provide residual interest holders with certain information at the close of each calendar quarter, including (1) the residual interest holder's share of REMIC income or loss during the quarter, (2) the amount of excess inclusion, and (3) if the residual interest holder is, among other entities, a non-publicly offered regulated investment company, the allocable investment expenses of the REMIC. This information is provided on Schedule Q of Form 1066. See Treas. Reg. sec. 1.860F-4(e)(1). In addition, REMICs and issuers of collateralized debt obligations are required to provide certain tax information upon request to certain holders (including RICs) of REMIC regular interests or interests in collateralized debt obligations. This information must include, for each requested calendar quarter: (1) the name, address and Employer Identification Number of the REMIC or collateralized debt obligation, (2) the CUSIP number of each specified class of REMIC regular interest or collateralized debt obligation and, in a new requirement for years after 1991, whether the information being reported is with respect to a REMIC regular interest or a collateralized debt obligation, - 2 - (3) interest paid on a collateralized debt obligation, and the aggregate amount paid for the year if the request is made for the last calendar quarter of the year, (4) interest accrued on a REMIC regular interest for each accrual period any day of which is in the specified calendar quarter, and the aggregate amount accrued for the year if the request is made for the last quarter of the calendar year, (5) original issue discount ("OID") for each accrual period any day of which is in the specified calendar quarter, and the aggregate amount for the calendar year if the request is made for the last calendar quarter, (6) the daily portion of OID per \$1,000 of original principal amount for each accrual period any day of which is in the specified calendar quarter, (7) the length of the accrual period, (8) the adjusted issued price of each REMIC regular interest or collateralized debt obligation at the beginning of each accrual period any day of which is in the specified calendar quarter, (9) information

necessary to compute market discount, and (10) in a new requirement, if the REMIC is a single class REMIC (that is, if the REMIC would be a trust absent the REMIC election), information related to the REMIC's deductible expenses. The information must be provided on or before the later of the 30th day after the close of the calendar quarter for which the information was requested or two weeks after receipt of the request. See Treas. Reg. sec. 1.6049-7(f). In response to public comments, the final regulations differ from the proposed regulations in several ways. Under the previous proposed regulations, holders of REMIC or collateralized debt obligation interests had been allowed to request the above information by telephone or in writing. The final regulations allow the REMIC or issuer to require that information requests be made only in writing. Of course, if the parties agree, the information may be provided in any other way agreed upon by the parties. In another change, the daily portion of OID must be reported only per \$1,000 of original principal amount, and not in any other proportion. The Service also issued a separate set of proposed regulations in response to complaints from REMICs and collateralized debt obligation issuers which, in part, would - 3 - extend the time for providing the above information from 30 days to 41 days after the end of the calendar quarter. Finally, another set of proposed regulations deal with REMIC qualification requirements, formation of REMICs, and the taxation of REMICs and REMIC interest holders. We will keep you informed of further developments. David J. Mangefrida Jr. Assistant Counsel - Tax Attachment DJM:bmb

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