MEMO# 9820

April 3, 1998

SURVEY OF NON-RESIDENT ALIEN WITHHOLDING AMOUNTS FOR 1997

1 See, e.g., Institute Memorandum to Tax Committee No. 28-95, dated July 27, 1995. 2 See, e.g., Institute Memorandum to International Members No. 9-97 and Tax Members No. 18-97, dated June 9, 1997. 3 See Institute Memorandum to Tax Members No. 6-98, dated February 9, 1998. [9820] ACTION REQUESTED April 3, 1998 VIA FACSIMILE TO: TAX COMMITTEE No. 14-98 RE: SURVEY OF NON-RESIDENT ALIEN WITHHOLDING AMOUNTS FOR 1997 ____ As you know, for many years the Institute has supported "investment competitiveness" legislation that would (1) permit the character of US-source interest income and short-term capital gains to flow through a regulated investment company ("RIC") to foreign shareholders, thereby exempting the distributions from non-resident alien ("NRA") withholding, and (2) exempt the underlying shares from estate tax.1 In 1997, this "investment competitiveness" legislation was introduced in the House of Representatives by Representatives Crane, Dunn and McDermott (H.R. 707) and in the Senate by Senators Baucus, Gorton and Murray (S. 815).2 Most recently, the President proposed a limited version of this legislation pursuant to which all income (including gain) received by a fund "that invests substantially all of its assets in U.S. debt securities or cash" would be treated as interest exempt from U.S. withholding tax when distributed to the fund's foreign investors.3 A fund would be treated as meeting this "substantially all" test if its also invests "some" of its assets in foreign debt instruments that are free from foreign withholding tax pursuant to the domestic laws of the source countries. Action Requested To prepare for Congressional consideration of investment competitiveness legislation during 1998, the Institute is collecting information regarding the amounts of nonresident alien withholding collected during calendar year 1997. Specifically, the survey requests data for all US-registered funds, subdivided into the following five categories: equity, balanced, taxable bond, taxable money market and tax-exempt (both "long-term" and money market). Additional information is requested for those taxable bond and money market funds that (1) generally are expected to have at least 80% of their assets in debt instruments that generate US-source (as opposed to foreign-source) income and/or (2) have more than 5% of their assets in foreign bonds subject to foreign withholding tax. Your assistance in completing the attached survey -- and faxing your response to Alice Bennett at 202-326-5841 no later than April 20, 1998 -- is appreciated greatly. Any questions regarding the legislation or the survey may be directed to the undersigned at 202-326-5832. Keith D. Lawson Senior Counsel Attachment

should not be considered a substitute for, legal advice.