

**MEMO# 4864**

June 16, 1993

# **LEGISLATION IMPOSING EXCISE TAX ON CERTAIN BUSINESSES EXEMPTS SERVICES PROVIDED TO INVESTMENT COMPANIES**

June 16, 1993 TO: TAX COMMITTEE NO. 31-93 WASHINGTON STATE MEMBERS RE: LEGISLATION IMPOSING EXCISE TAX ON CERTAIN BUSINESSES EXEMPTS SERVICES PROVIDED TO INVESTMENT COMPANIES

\_\_\_\_\_ Washington has recently passed legislation which imposes a 2% excise tax on the gross receipts of certain "selected business services". Selected business services are defined to include computer, data processing, legal, accounting, auditing and advertising services. Of particular importance to investment companies, the legislation provides that the term "selected business services" does not include services provided to (1) a mutual fund or other regulated investment company as defined in section 851(a) of the Internal Revenue Code, (2) investment companies as defined in the Investment Company Act of 1940 (the "1940 Act"), including entities exempt from the definition of investment company because they are private investment companies with fewer than 100 shareholders or because they are pension trusts, (3) pension trusts of all types, (4) funds maintained by tax-exempt organizations, or (5) funds established for the benefit of tax-exempt organizations. The applicable provisions of the statute will be effective July 1, 1993. We will keep you informed of further developments. David J. Mangefrida Jr. Assistant Counsel - Tax Attachment