

MEMO# 4515

February 22, 1993

INSTITUTE SUBMISSION TO IRS REGARDING DEDUCTIBILITY OF FUND 12B-1 FEES

February 22, 1993 TO: BOARD OF GOVERNORS NO. 13-93 RE: INSTITUTE SUBMISSION TO
IRS REGARDING DEDUCTIBILITY OF FUND 12b-1 FEES

As I reported at the January Board of Governors meeting, the IRS has opened a rulings project and announced its intention to issue an industry-wide ruling regarding the deductibility of 12b-1 fees paid by mutual funds. Attached is an Institute memorandum submitted to the IRS on this issue. The memorandum urges the IRS to rule that mutual fund 12b-1 fees are deductible as ordinary and necessary business expenses. As stated in the memorandum, mutual funds, unlike other corporations, are continuously engaged in the issuance of their shares. Thus, funds are permitted to deduct the expenses associated with the issuance of new shares. An IRS ruling should confirm the deductibility of 12b-1 fees as recurring, necessary expenses of a fund's business operations. We will keep you informed of developments. Matthew P. Fink
President Attachments

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.