

MEMO# 9244

September 15, 1997

MISSOURI - PENDING TAX LEGISLATION AFFECTING MUTUAL FUND SERVICE COMPANIES

[9244] VIA FAX September 15, 1997 TO: TAX COMMITTEE No. 28-97 RE: MISSOURI -
PENDING TAX LEGISLATION AFFECTING MUTUAL FUND SERVICE COMPANIES

_____ We recently learned that Missouri is considering legislation that would subject to the Missouri corporate income tax "any investment funds service corporation organized as a corporation or S corporation which has any shareholders resided in this state" (a copy of this proposal is attached). The version of the bill approved by the house would limit the provision to corporations organized in Missouri, while the version approved by the senate does not contain this limitation. No definition of the term "investment funds service corporation" is included in the proposal. However, based upon a proposed definition of this term for purposes of another pending proposal, it appears that the term may be intended to include only corporations doing business in Missouri. Attached is the definition of an "investment funds service corporation" that would apply for purposes of the other pending proposal; the other proposal would reduce the tax burden of companies located in Missouri that provide services to investment companies. The conference to resolve the differences between the house and senate versions of the bill will be on Wednesday, September 17. If the proposal is enacted in a form that attempts to subject corporations to taxation in Missouri merely because they have Missouri shareholders, it appears that the provision would be unconstitutional. If you have any questions regarding this matter, please call the undersigned at (202) 326-5837. We will keep you informed of developments. Anne M. Barr
Associate Counsel - Tax Attachments