

MEMO# 1245

June 29, 1989

HOUSE WAYS AND MEANS COMMITTEE VOTES TO REPEAL SECTION 67(C)

June 29, 1989 TO: BOARD OF GOVERNORS NO. 39-89 MEMBERS - ONE PER COMPLEX NO. 21-89 TAX MEMBERS NO. 18-89 FEDERAL LEGISLATION COMMITTEE NO. 8-89 RE: HOUSE WAYS AND MEANS COMMITTEE VOTES TO REPEAL SECTION 67(c)

In closed session today, the House Ways and Means Committee voted to repeal Section 67(c) - the so-called "phantom income" provision - of the Internal Revenue Code. This action took place during consideration of the Technical and Miscellaneous Revenue Act of 1988 and as part of the Budget Reconciliation process. In its deliberations, the Committee decided not to reinstate Section 67(c) which was inadvertently repealed in last year's tax legislation. Section 67(c) requires the Secretary of the Treasury to prescribe regulations prohibiting the indirect deduction through certain pass-through entities, including mutual funds, of amounts that would not be deductible under the 2- percent floor on miscellaneous itemized expenses if paid or incurred directly by an individual. Action on the Budget Reconciliation bill is expected to be concluded by the Ways and Means Committee by late July. The Senate Finance Committee is expected to begin consideration of these matters in mid-July. We will keep you advised of further developments. Matthew P. Fink Senior Vice President and General Counsel

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