

MEMO# 7474

December 13, 1995

INSTITUTE SUBMISSION TO IRS ON FUND OF FUNDS ISSUES

December 13, 1995 TO: TAX COMMITTEE No. 37-95 ACCOUNTING/TREASURERS COMMITTEE
No. 54-95 RE: INSTITUTE SUBMISSION TO IRS ON FUND OF FUNDS ISSUES

As you may know, the IRS has raised questions about the preferential dividend implications of the fund of funds structure. At a recent meeting with senior members of the IRS' Financial Institutions and Products group regarding preferential dividend matters, the Institute agreed to prepare a memorandum on the fund of funds structure. Accordingly, we submitted to the IRS the attached letter and memorandum relating to fund of funds issues. The memorandum analyzes the preferential dividend concerns that the IRS has raised with respect to funds of funds and concludes that no preferential dividend arises in the fund of funds structure. The cover letter reminds the IRS of the importance of resolving its concerns regarding funds of funds as soon as possible, so the IRS can resume issuing letter rulings in this area. We will keep you informed of developments. Anne M. Barr Assistant Counsel - Tax Attachments

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