

MEMO# 1872

April 27, 1990

PETITION FOR DECLARATORY RULING IN CONNECTICUT ON PASS THROUGH TREATMENT FOR FEDERAL OBLIGATION INTEREST

April 27, 1990 TO: MEMBERS - ONE PER COMPLEX NO. 19-90 RE: PETITION FOR DECLARATORY RULING IN CONNECTICUT ON PASS THROUGH TREATMENT FOR FEDERAL OBLIGATION INTEREST _____ As you know, the Institute and others have been working since 1983 for administrative, legislative or judicial relief in the states to assure that mutual fund dividends derived from interest on Federal obligations are exempt from state income tax. Connecticut is one of the few remaining states that continues to tax mutual fund dividends derived from interest on federal obligations. Recently, the attached petition for declaratory ruling was filed with the Connecticut Commissioner of Revenue Services seeking a ruling that the Connecticut Dividends, Interest Income and Capital Gains Tax does not apply to mutual funds dividends attributable to interest on United States government obligations. Pursuant to Connecticut law, notice of this petition must be served upon interested parties. This petition is being sent to you to satisfy this notice requirement. Connecticut law further provides that, if the Commissioner does not grant the petition for declaratory ruling within 45 days, administrative remedies will be deemed exhausted and a class action lawsuit may be filed against the State. We will keep you informed of developments in this litigation. Keith D. Lawson Assistant General Counsel Attachment KDL:bmb