

MEMO# 2658

April 10, 1991

INFORMATION FOR PFIC REVENUE ESTIMATE AND TO UPDATE SURVEY

April 10, 1991 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 6-91 RESPONDENTS TO
EARLIER PFIC SURVEY TAX COMMITTEE NO. 9-91 RE: INFORMATION FOR PFIC REVENUE
ESTIMATE AND TO UPDATE SURVEY

As you know, the Institute has been working to obtain either a legislative or administrative solution to the problem that arises when a regulated investment company ("RIC") invests in shares of stock of an entity which is a "passive foreign investment company", or "PFIC". Under current law, a RIC which (1) sells a PFIC stock for a gain which it has held in more than one tax year or (2) receives an "excess distribution" with respect to the PFIC stock, will incur a RIC-level tax which cannot be avoided by distributing the income or gain to shareholders. Specifically, the Institute has proposed that RICs mark to market their PFIC stock each year and distribute any recognized gain to shareholders, thus avoiding any tax at the RIC level. Revenue Estimate -- Survey 1 In connection with the effort to obtain a legislative PFIC solution, we need your help to develop a revenue estimate for the proposal. While we realize that responding to this survey will require more than a nominal effort, this information is essential to develop an accurate estimate of the proposal's effect on federal revenue. Please fill out a separate response for each fund in the complex; do not aggregate your PFIC holdings across funds. As we need this estimate as soon as possible, we would appreciate receiving the information on Survey 1 by fax (202) 659-1519 or by mail to the undersigned no later than April 22. List of Known/Suspected/Possible PFICs -- Survey 2 The Institute also has undertaken to collect and disseminate information from our members that may be useful in identifying PFICs. As part of that effort, we periodically need to update our PFIC list. Attached is a copy of our last survey results, dated August 24, 1990. Please review the survey results, make any additions or corrections to the survey, and return it to the undersigned by fax (202) 659-1519 or by mail no later than April 19, 1991. We will send out a new list of PFICs shortly thereafter. * * * * Thank you very much for your cooperation in these important surveys. If you have any questions, please call the undersigned at (202) 955-3521. David J. Mangefrida, Jr. Assistant Counsel - Tax Survey 2 PFIC List Update Attached are the August 24, 1991 current PFIC survey results. Please review the list and make any corrections or additions directly on the survey or on a separate sheet of paper.