

MEMO# 1727

February 21, 1990

MARCH 13 MEETING TO DISCUSS POST-OCTOBER LOSS REGULATIONS AND LEGISLATIVE PROPOSAL TO UNIFY DISTRIBUTION REQUIREMENTS

February 21, 1990 TO: TAX COMMITTEE NO. 4-90 ACCOUNTING/TREASURERS COMMITTEE NO. 5-90 RE: MARCH 13 MEETING TO DISCUSS POST-OCTOBER LOSS REGULATIONS AND LEGISLATIVE PROPOSAL TO UNIFY DISTRIBUTION REQUIREMENTS

As you know, the distribution requirements of Subchapter M and section 4982, and the interaction between these provisions, have created many issues and complexities for regulated investment companies ("RICs") and their shareholders. To resolve some of these issues, the Tax Committee is preparing a proposal to eliminate the dual distribution system by placing the Subchapter M distribution requirements generally on the excise tax years. Other issues presented by the relationship between Subchapter M and section 4982 were recently addressed in Treasury regulations relating to the effect of post-October 31 capital losses and post-October 31 currency losses on a RIC's taxable income, its earnings and profits, and the amount that it may designate as a capital gain dividend for the taxable year in which the loss is incurred and the succeeding taxable year. (See Institute Memorandum to Tax Members No. 7-90, Closed-End Fund Members No. 7-90, and Accounting/Treasurers Members No. 6-90, dated February 1, 1990.) Comments on these regulations must be submitted to the Treasury by April 2, 1990. A meeting will be held at the Institute on Tuesday, March 13, 1990, at 10:00 a.m. to discuss (1) comments the Institute should submit on the recent Treasury regulations regarding post-October 31 losses, (2) unification of the Subchapter M and section 4982 distribution requirements and (3) any other problems that should be addressed or proposals that should be made to simplify year-end distributions. Lunch will be served during/following the meeting. Please let Berlaunder Barnes (202/955-3518) know whether you will be attending the meeting. Keith D. Lawson Assistant General Counsel