

MEMO# 3038

August 23, 1991

INSTITUTE LETTER TO MINNESOTA TAX COMMISSIONER ON EXEMPT-INTEREST DIVIDEND REPORTING REQUIREMENT

- 1 - August 23, 1991 TO: TAX COMMITTEE NO. 27-91 MINNESOTA MEMBERS RE: INSTITUTE LETTER TO MINNESOTA TAX COMMISSIONER ON EXEMPT-INTEREST DIVIDEND REPORTING REQUIREMENT _____ As we have previously informed you, Minnesota recently enacted legislation requiring all regulated investment companies ("RICs") whose shares are registered for sale in Minnesota to send to each Minnesota resident to whom the RIC pays more than \$10 per year in exempt-interest dividends a report which includes a clear statement that the exempt-interest dividends are taxable income to Minnesota residents. (See Institute Memorandum to Tax Members No. 19-91, Money Market Members - One Per Complex No. 15- 91 and Closed-End Fund Members No. 23-91, dated June 4, 1991.) In the attached letter, the Institute requests that regulations be issued that clarify three points: o The statute calls for the reports to be sent within thirty days of the end of the taxable year. Reports should be sent within thirty days of the end of the calendar year in order to be of any help to shareholders, who are mostly calendar year taxpayers. o RICs which are 100 percent invested in Minnesota obligations are not required to send the report, as the Minnesota definition of exempt-interest dividend does not include dividends from such funds. o RICs should be allowed to satisfy the reporting requirement with their annual year-end statements, rather than with a preprinted state form. In addition, no specific language as to the taxability of the dividends should be required, because the many varied factual situations make specific required language inappropriate. We will keep you informed of further developments. - 2 - David J. Mangefrida, Jr. Assistant Counsel - Tax Attachment DJM:bmb