

MEMO# 6718

March 3, 1995

MARCH 13 MEETING ON MULTIPLE CLASS TAX ISSUES

VIA FAX March 3, 1995 TO: TAX COMMITTEE No. 10-95 RE: MARCH 13 MEETING ON MULTIPLE CLASS TAX ISSUES

_____ As we discussed at the February Tax Committee meeting, the Internal Revenue Service ("IRS") has been considering how the preferential dividend rules of Internal Revenue Code section 562 should be applied to regulated investment companies ("RICs") with multiple classes of shares. At the meeting, we discussed an "interim" representation that IRS was accepting that permits certain class-specific expenses to vary by less than 50 basis points. We also discussed IRS' announced intention to continue issuing private letter rulings for multiple class structures while it studied preferential dividend issues. The Institute has become aware that IRS has been raising additional preferential dividend issues and may be requiring additional representations in connection with multi-class ruling requests. We have been informed, for example, that IRS (1) has refused to issue a ruling permitting class-specific expenses to be varied in a non-pro-rata manner, (2) may even be considering whether a pro-rata waiver may be made, and (3) has raised preferential dividend issues in connection with a fund-of-funds ruling request. To ascertain what issues IRS has been raising and the legal theories for their positions, the Institute has scheduled a meeting for Monday, March 13 at 10:00 a.m. in the David Silver Conference Room, located on the 12th floor of our offices at 1401 H Street, N.W. Because many of the conversations with IRS have involved outside advisers (attorneys and/or accountants) retained by our members, Institute members are invited to bring outside advisers with them to this meeting. Lunch will be served following the meeting. All persons planning to attend the meeting should either complete the attached response sheet and fax it to Theresa Brice at (202) 326-5841 or call Theresa at (202) 326-5833 no later than Thursday, March 9. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment

ATTENDANCE RESPONSE FORM ICI Multiple Class Tax Issues Meeting Monday, March 13, 1995 Please fax this portion to Theresa Brice, Investment Company Institute, 202-326-5841. YES NO _____ MULTIPLE CLASS TAX ISSUES MEETING - 10:00 a.m. _____ LUNCH _____

_____ NAME(S) OF ATTENDEE(S) COMPANY NAME(S)
Please check here if you need special services due to a disability.