

MEMO# 3938

July 17, 1992

GEORGIA REFUSES TO DROP INTANGIBLES TAX ON INTERESTS IN UITs WHICH HOLD U.S. GOVERNMENT OBLIGATIONS

July 17, 1992 TO: TAX COMMITTEE NO. 27-92 UNIT INVESTMENT TRUST COMMITTEE NO. 40-92 RE: GEORGIA REFUSES TO DROP INTANGIBLES TAX ON INTERESTS IN UITs WHICH HOLD U.S. GOVERNMENT OBLIGATIONS

Earlier this year, at the request of the Unit Investment Trust Committee, the Institute wrote to the Georgia Commissioner of Revenue requesting that he exempt from the state's intangibles tax interests in UITs which invested in obligations of Georgia and its political subdivisions. The state refused to alter its position. (See Institute Memorandum to Tax Committee No. 1-92 and Unit Investment Trust Committee No. 1-92, dated January 2, 1992.) Subsequently, the Institute wrote to the Commissioner to point out that, unlike the state's discretion over the tax treatment of its own obligations, the imposition of the intangibles tax on interests in UITs and shares of mutual funds which invest in obligations of the federal government violates federal law. (See Institute Memorandum to Tax Committee No. 19- 92 and Unit Investment Trust Committee No. 29-92, dated May 28, 1992.) In his response to the Institute (attached), the Commissioner of Revenue has refused to alter the application of the state's intangibles tax to interests in UITs and shares of mutual funds which invest in U.S. government obligations. In the Commissioner's view, unitholders and shareholders do not have a direct interest in a U.S. obligation, and thus are subject to the intangibles tax. We will keep you informed of further developments. David J. Mangefrida Jr. Assistant Counsel - Tax Attachment