

MEMO# 11790

April 5, 2000

IRS AND TREASURY RELEASE 2000 PRIORITY GUIDANCE PLAN

1 See Institute Memorandum to Tax Committee No. 2-00 and the Task Force on Advisor/Distributor Tax Issues, dated January 11, 2000. 2 Note: the "launch cost" issue is listed together with three other capitalization projects under the general description "Guidance on deduction and capitalization of certain expenditures." [11790] April 5, 2000 TO: ACCOUNTING/TREASURERS COMMITTEE No. 14-00 INTERNATIONAL COMMITTEE No. 12-00 TAX COMMITTEE No. 16-00 TRANSFER AGENT ADVISORY COMMITTEE No. 20-00 UNIT INVESTMENT TRUST COMMITTEE No. 13-00 RE: IRS AND TREASURY RELEASE 2000 PRIORITY GUIDANCE PLAN

In the attached "2000 Priority Guidance Plan," the Internal Revenue Service ("IRS") and the Treasury Department have announced their year 2000 priorities for tax regulations and other administrative guidance. IRS and Treasury intend to issue regulations/guidance by year-end on over 240 projects identified in the plan. Attached to the plan, in Appendix A, is a list of 14 additional projects "for which substantial resources will be committed in 2000 and for which publication generally is expected to occur in 2001 (although in some instances publication may occur in 2000)." We are pleased to report that the following projects requested by the Institute¹ have been included on the plan: ! Guidance regarding mutual fund launch costs.² ! Guidance under section 1259 regarding constructive sales treatment for appreciated financial positions. ! Guidance under the passive foreign investment company provisions. Among the other projects of interest to regulated investment companies ("RICs") and their shareholders, and to unit investment trusts treated as grantor trusts and their unitholders, are the following: ! Guidance regarding conversion of C corporations to RIC or real estate investment trust ("REIT") status. ! Final regulations under section 368 regarding the effects of redemptions and extraordinary dividends on continuity of interest. 2! Guidance under section 446 regarding notional principal contracts. ! Additional guidance regarding certain equity derivative transactions. ! Guidance under sections 1001 and 1275 regarding an election to treat a substitution of debt instruments, in certain circumstances, as a realization event. ! Guidance regarding certain transactions in bonds generating original issue discount ("OID"). ! Guidance under section 1275 regarding the reopening of issues of debt obligations. ! Guidance under section 671 regarding requirements for widely held fixed investment trusts. ! Final regulations under section 894(c) regarding treaty benefits for payments through hybrid entities and related matters. ! Guidance regarding withholding on payments to foreign persons. ! Guidance on the portfolio interest exemption relating to payments to tax haven residents. ! Final regulations under section 988 on the definition of a hyperinflationary currency. ! Final regulations relating to the conversion to the Euro as a functional currency. ! Proposed regulations regarding the treatment of certain foreign currency denominated

contingent debt instruments under section 988. ! Final regulations regarding the application of the partnership provisions to capital gains. ! Proposed regulations under sections 162 and 263 regarding deduction and capitalization of expenditures. ! Guidance necessary to facilitate electronic tax administration. ! Proposed regulations under sections 6041 and 6045 regarding reporting responsibilities of a middleman payor. ! Guidance regarding furnishing payee statements electronically. ! Final regulations under sections 6071 and 6651 extending due dates for electronically filed information returns. The following three items on "Appendix A" may be of interest to RICs and their shareholders: ! Final regulations under section 860H regarding financial asset securitization trusts. ! Guidance under section 1092 regarding straddles where one position is larger than the offsetting position. ! Guidance under section 1272(a)(6) regarding pools of credit card receivables. 3Deanna J. Flores Assistant Counsel Attachment

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