

MEMO# 10793

March 11, 1999

IRS AND TREASURY RELEASE 1999 PRIORITY GUIDANCE PLAN

1 The first two projects were requested in a December 1998 letter to IRS officials. See Institute Memorandum to Tax Committee No. 41-98, dated December 24, 1998. The third project was requested in a January 1999 letter to IRS and Treasury Department officials. See Institute Memorandum to Tax Committee No. 2-99 and the Task Force on Adviser/Distributor Tax Issues, dated January 29, 1999. 2 Note: The "launch cost" issue is listed in one "bullet item" with three other capitalization projects. The business plan indicates that two of the four projects will be completed in 1999, with the remaining two completed in 2000; the plan, however, does not identify which projects will be completed in which year. [10793] March 11, 1999 TO: ACCOUNTING/TREASURERS COMMITTEE No. 6-99 INTERNATIONAL COMMITTEE No. 9-99 TAX COMMITTEE No. 4-99 TRANSFER AGENT ADVISORY COMMITTEE No. 20-99 UNIT INVESTMENT TRUST COMMITTEE No. 6-99 RE: IRS AND TREASURY RELEASE 1999 PRIORITY GUIDANCE PLAN

In the attached "1999 Priority Guidance Plan," the Internal Revenue Service ("IRS") and the Treasury Department have announced their 1999 priorities for tax regulations and other administrative guidance. IRS and Treasury intend to issue regulations/guidance by year-end on over 230 projects identified in the plan. Attached to the plan, in Appendix A, is a list of 12 additional projects "for which substantial resources will be committed in 1999 and for which publication generally is expected to occur in 2000 (although in some instances publication may occur in 1999)." We are pleased to report that the following projects requested by the Institute¹ have been included on the plan: * Guidance under section 562(c) regarding the treatment of waivers and reimbursements in multiple-class regulated investment companies ("RICs"). * Guidance under section 1259 regarding constructive sales treatment for appreciated financial positions. * Guidance regarding mutual fund launch costs.² Among the other projects of interest to RICs and their shareholders, and to unit investment trusts treated as grantor trusts and their unitholders, are the following: * Regulations regarding conversion of C corporation to RIC status. See Notice 88-19. * Guidance under section 368 regarding the effect of a stock redemption program on continuity of interest. * Guidance under section 446 regarding notional principal contracts and other financial instruments. * Guidance on the treatment of certain items relating to credit card transactions and on income from pools of prepayable obligations, including pools of credit card receivables. * Guidance under section 860H regarding financial asset securitization investment trusts. * Final regulations under section 1275 regarding inflation indexed bonds. * Final regulations under 671 regarding reporting requirements for widely held fixed investment trusts. * Guidance under the passive foreign investment company provisions. * Regulations under section 894(c) regarding treaty benefits for payments through hybrid entities and related matters. * Guidance regarding withholding on payments

to foreign persons. * Announcement regarding the treatment of certain foreign currency denominated contingent debt instruments under section 988. * Guidance regarding the application of the partnership provisions to capital gains. * Guidance under sections 6041 and 6045 regarding reporting responsibilities of a middleman payer. * Regulations under section 6302(h) regarding the electronic federal tax payment system. One item on “Appendix A” that may be of interest to RICs and their shareholders is “[g]uidance under section 1092 regarding straddles where one position is bigger than the offsetting position.”

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