

MEMO# 17034

February 4, 2004

CONGRESSIONAL LETTER TO TREASURY AND IRS ON TAXATION OF MUTUAL FUND DIVIDENDS

[17034] February 4, 2004 TO: BOARD OF GOVERNORS No. 8-04 FEDERAL LEGISLATION MEMBERS No. 2-04 PRIMARY CONTACTS - MEMBER COMPLEX No. 10-04 PUBLIC COMMUNICATIONS COMMITTEE No. 6-04 RE: CONGRESSIONAL LETTER TO TREASURY AND IRS ON TAXATION OF MUTUAL FUND DIVIDENDS On January 27, the Chairmen and Ranking Democratic Members of the House Ways and Means Committee and the Senate Finance Committee sent a letter (attached) to the U.S. Department of the Treasury and the Internal Revenue Service affecting mutual fund shareholders. In the letter, the bipartisan leadership of the tax-writing committees expressed their intention to seek enactment of the recently introduced Tax Technical Corrections Act of 2003 (H.R. 3654/S. 1984) at the earliest opportunity. A provision in the legislation clarifies that mutual fund shareholders are intended to receive the full benefit of the new 15 percent maximum tax rate established in the Jobs and Growth Tax Relief Reconciliation Act of 2003 for qualified dividend income received beginning January 1, 2003. In a news release, Finance Committee Chairman Charles Grassley (R-IA) indicated that the purpose of the letter is to ensure that mutual fund shareholders receive the full benefit of the 15 percent rate on dividends received in 2003 and to avoid the need for amended Forms 1099-DIV, and amended returns, after the enactment of the legislation. The Institute has been seeking such a clarification since the introduction of the technical corrections legislation. We will keep you informed of further developments. Matthew P. Fink President Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 17034, or call the ICI Library at (202) 326-8304 and request the attachment for memo 17034.