

MEMO# 2950

July 22, 1991

REGULATIONS ON NOTIONAL PRINCIPAL AMOUNT CONTRACTS ISSUED BY INTERNAL REVENUE SERVICE

July 22, 1991 TO: ACCOUNTING/TREASURERS MEMBERS NO. 18-91 TAX MEMBERS NO. 30-91 RE: REGULATIONS ON NOTIONAL PRINCIPAL AMOUNT CONTRACTS ISSUED BY INTERNAL REVENUE SERVICE _____ The Internal Revenue Service recently released proposed regulations dealing with the tax accounting for payments on interest rate, commodity and equity swaps, interest rate caps and floors and other notional principal contracts. The proposed regulations will be of particular interest to those member funds which have purchased or are considering purchasing synthetic, short-term municipal obligations, sometimes known as variable rate trust certificates or tender option bonds. The provisions of the proposed regulations would generally be effective for notional principal contracts entered into after the date the Treasury Department issues temporary or final regulations. We will keep you informed of developments. David J. Mangefrida, Jr. Assistant Counsel - Tax Attachment

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