

MEMO# 8998

June 20, 1997

NEW JERSEY PASS-THROUGH LITIGATION DECISION BECOMES TRIAL

1 See Institute Memorandum to Board of Governors No. 11-97, Tax Members No. 9-97, Accounting/Treasurers Members No. 8-97, and Money Market Funds Advisory Committee No. 4-97, dated February 25, 1997. June 20, 1997 TO: ACCOUNTING/TREASURERS MEMBERS No. 21-97 MONEY MARKET FUNDS ADVISORY COMMITTEE No. 5-97 TAX MEMBERS No. 21-97 RE: NEW JERSEY PASS-THROUGH LITIGATION DECISION BECOMES FINAL

As you may recall, the New Jersey Tax Court has ruled that the New Jersey personal income tax is invalid insofar as it taxes dividends received from a mutual fund that are attributable to interest earned by the fund on federal obligations, unless the fund satisfies an asset threshold requirement.¹ We are pleased to report that we have been informed that New Jersey has decided not to appeal the Tax Court's decision. For your information, attached is a copy of the Declaratory Judgment which reflects the Tax Court's holding that the New Jersey threshold requirement cannot be applied to mutual funds. Anne M. Barr Associate Counsel - Tax Attachment (in .pdf format) Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Information Resource Center at (202)326-8304, and ask for this memo's attachment number: 8998.

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