

**MEMO# 4967**

July 9, 1993

## **PENNSYLVANIA SENATE APPROVES BILL PERMITTING PASS-THROUGH OF FEDERAL OBLIGATION INTEREST**

July 9, 1993 TO: TAX COMMITTEE NO. 32-93 PENNSYLVANIA MEMBERS RE: PENNSYLVANIA SENATE APPROVES BILL PERMITTING PASS-THROUGH OF FEDERAL OBLIGATION INTEREST

As you know, Pennsylvania is the last state which does not permit the character of federal obligation interest to flow through to shareholders exempt from state tax. The Institute has been working at both the administrative and legislative levels to have this unconstitutional treatment changed. The Institute is pleased to report that the Pennsylvania Senate has passed attached Senate Bill 565 by a 48-0 vote. The bill would amend the Pennsylvania personal income tax to exempt from that tax investment company dividends derived from interest on federal obligations. We have been informed by our representatives in Pennsylvania that shareholder letters generated as a result of member efforts were an important factor in convincing the Pennsylvania Senate of the importance of the legislation to individual Pennsylvania shareholders. The Pennsylvania legislature is currently in recess until sometime this fall. When the General Assembly reconvenes, we anticipate that the House will consider H.B. 1121, the companion bill to S.B. 565. We will keep you informed of further developments. David J. Mangefrida Jr. Assistant Counsel - Tax Attachment

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