

MEMO# 9318

October 8, 1997

DRAFT IRS SCHEDULE D FOR REPORTING CAPITAL GAINS AND LOSSES

1 Any undistributed capital gain reported to shareholders on IRS Form 2439 will be reported on line 11 of Schedule D. [9318] October 8, 1997 TO: TAX COMMITTEE No. 35-97 ACCOUNTING/TREASURERS COMMITTEE No. 39-97 OPERATIONS COMMITTEE No. 35-97 TRANSFER AGENT ADVISORY COMMITTEE No. 54-97 BROKER/DEALER ADVISORY COMMITTEE No. 15-97 RE: DRAFT IRS SCHEDULE D FOR REPORTING CAPITAL GAINS AND LOSSES _____

The Internal Revenue Service ("IRS") has sent to the Office of Management and Budget ("OMB") for final approval the attached IRS Form 1040 Schedule D, Capital Gains and Losses, and instructions. Every fund shareholder who receives a capital gain dividend or realizes a capital gain or loss on the redemption or sale of fund shares will be required to file a Schedule D for 1997. Previously, fund shareholders were not required to file Schedule D if their only capital gain transactions were capital gain distributions reported to them on IRS Form 1099-DIV. The full amount of a shareholder's capital gain distributions received from funds will be reported on line 13(f) of Schedule D.1 Fund shareholders also will report, on line 13(g), the portion of the amount reported on line 13(f) that is taxed at a 28% maximum rate. This amount, which includes gains defined under the Taxpayer Relief Act of 1997 as "pre-effective date gain," "mid-term gain" and "collectibles gain," is described on the Schedule D as "28% rate gain." Gains and losses on the redemption or sale of fund shares will be reported on Part I of Schedule D (Short-Term Capital Gains and Losses) if the shares were held for one year or less and on Part II (Long-Term Capital Gains and Losses) if they were held for more than one year. Column (f) of Part II will be used to report all gain or loss on assets held for more than one year; column (g) of Part II will be used to report that portion of the gain or loss reported in column (f) that is "28% rate gain or loss." Part IV of Schedule D -- Tax Computation Using Maximum Capital Gains Rates -- is an expanded version of the worksheet that previously was contained in the instructions to IRS Form 1040. In prior years, only fund shareholders with taxable income in excess of the amount taxed at a 28% marginal rate were required to complete this worksheet. For 1997, all fund shareholders reporting taxable income and net capital gains will be required to complete Part IV. Keith D. Lawson Associate Counsel - Tax Attachments