

MEMO# 11065

June 23, 1999

1999 YEAR-END UNIFORM TAX REPORTING FORMATS

1 This year-end information often is referred to as “reclassified” tax information because of the practice at many brokerage firms and banks to treat distributions from RICs and REITs as ordinary income until advised to “reclassify” the income, such as to long-term capital gain. 2 RICs are to provide year-end income breakdowns for GNMA & FNMA and Repurchase Agreements only where the information is available and relevant to their shareholders. 3 See Institute Memorandum to Accounting/Treasurers Committee No. 18-99, Bank and Trust Advisory Committee No. 12-99, Broker/Dealer Advisory Committee No. 12-99, Operations Committee No. 22-99, Tax Committee No. 11-99, and Transfer Agent Advisory Committee No. 34-99, dated June 3, 1999. [11065] June 23, 1999 TO: ACCOUNTING/TREASURERS MEMBERS No. 15-99 BANK AND TRUST ADVISORY COMMITTEE No. 13-99 BROKER/DEALER ADVISORY COMMITTEE No. 14-99 OPERATIONS MEMBERS No. 16-99 TAX MEMBERS No. 18-99 TRANSFER AGENT ADVISORY COMMITTEE No. 39-99 RE: 1999 YEAR-END UNIFORM TAX REPORTING FORMATS

As in prior years, the Institute has been working with representatives of the Securities Industry Association (“SIA”), the American Bankers Association (“ABA”) and the National Association of Real Estate Investment Trusts (“NAREIT”) to improve the uniform reporting procedures pursuant to which regulated investment companies (“RICs”) and real estate investment trusts (“REITs”) will report “reclassified”¹ year-end tax information. Attached to this memorandum are the final “primary” and “secondary” uniform file formats to be used by RICs to report 1999 year-end tax information to brokers and banks. The 1999 primary uniform file format contains the information required to prepare IRS Forms 1099 for RIC shareholders. The 1999 secondary uniform file format enables RICs to provide to brokers and banks 1999 year-end income breakdowns (1) by State for municipal bond funds and (2) by type of security (i.e., Exempt Federal Securities, GNMA & FNMA, Repurchase Agreements and Other Non-exempt Securities) 2 for other bond funds. Based on comments received, the following changes from the 1998 uniform file formats have been incorporated into the examples and instructions for the 1999 uniform file formats.³ With one exception, highlighted below, none of these clarifying changes appear to require a “programming” modification from the 1998 uniform file formats. PRIMARY AND SECONDARY UNIFORM FILE FORMATS ! Inclusion of Requested Reporting Date in Instructions The date by which the SIA has requested that RICs provide all 1999 year-end tax information on the primary and secondary uniform file formats has been included in the format instructions. ! Format for Reporting Numerical Data A clarifying instruction has been added requesting that all numerical data on the formats only be expressed as four (4) digits after the decimal point. It also is requested, where possible, that zero amounts be reported on the formats as dashes (“—”), rather than as numerical zeros. PRIMARY UNIFORM FILE FORMAT ! Revised or

As Reported Column For 1998, column 1 of the primary uniform file format only was used to indicate if a reported distribution had been "reclassified" since it was first announced. For 1999, this column has been renamed "Status" and may be used to indicate whether a reported distribution (1) has been reclassified since it was first announced, (2) reflects a correction to data provided via an earlier transmission, or (3) is part of a "split-year" dividend that is taxable (in part) in the following tax year. Examples for each of the above situations are provided on the primary uniform file format. NOTE: This revision appears to be the only change that may require a "programming" modification from the 1998 Uniform File Formats. ! Request to List CUSIPs in Number Order A request has been added to the instructions that, where possible, CUSIPs be listed in number order. ! Issuer Classification Categories An explanation of the difference between a "networked" and a "non-networked" mutual fund has been included in the instructions. ! Record Date for Daily Dividend Funds Mutual funds that accrue dividends daily are instructed to indicate "DAILY" in Item #8, Record Date. SECONDARY UNIFORM FILE FORMAT ! Reporting Non-Exempt Distributions An instruction has been added to clarify that non-exempt amounts (e.g., taxable market discount income), if any, distributed to shareholders of municipal bond funds should be reported separately on the primary uniform file format as a taxable distribution. Finally, attached to this memorandum is a new reporting format only to be completed by RICs that have declared an Undistributed Long-Term Capital Gain to be reported on IRS Form 2439. Given the infrequency of these deemed distributions, it is not anticipated that RICs will "program" their systems to accommodate this new format. Rather, it is expected that the format will be completed by RICs on an "as-needed" basis and returned by facsimile to the brokers and banks. The 1999 uniform file formats are available to Institute members on the Institute's members- only internet home page (ICINet) that is located at <http://members.ici.org>. Those Institute members with internet access who have not been issued an ICINet password may receive one by accessing the ICINet page and completing the ICINet enrollment form. ACTION REQUESTED: As reflected in the instructions for the 1999 uniform file formats, the target dates by which the SIA has requested that the RICs provide all year-end tax information are (1) Friday, January 7, 2000 for information on the primary uniform file format and (2) Friday, January 14, 2000 for information on the secondary uniform file format. The Institute will distribute updated listings of the "tax contacts" at bank and brokerage firms to whom the RICs should send year-end tax information as soon as they are made available by the ABA and SIA. Specific questions regarding the uniform file layouts for use by RICs in reporting year-end tax information to brokers and banks may be directed to Justine Phoenix of the Institute's Operations Department at justine@ici.org or 202 326-5850. Other questions regarding year-end tax reporting may be directed to the undersigned at dflores@ici.org or 202 371-5436. Deanna J. Flores Assistant Counsel Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment referred to in this Memo, please call the ICI Library at (202) 326-8304, and ask for attachment number 11065. ICI Members may retrieve this Memo and its attachment from ICINet (<http://members.ici.org>).