

**MEMO# 7386**

November 2, 1995

# **INSTITUTE PREFERENTIAL DIVIDEND SUBMISSION**

1 See Institute Memorandum to Tax Committee No. 23-95 and Accounting/Treasurers Committee No. 22-95, dated June 16, 1995. November 2, 1995 TO: TAX COMMITTEE No. 33-95 ACCOUNTING/TREASURERS COMMITTEE No. 45-95 RE: INSTITUTE PREFERENTIAL DIVIDEND SUBMISSION

\_\_\_\_\_ As you know, in June the Institute submitted to the Internal Revenue Service ("IRS") a memorandum urging that (1) the separate classes of a multiple-class fund be respected for section 562(c) preferential dividend purposes and (2) published guidance be issued indicating the circumstances under which the IRS would not assert that dividends paid by a multiple-class fund are preferential.<sup>1</sup> This memorandum subsequently was discussed in an Institute meeting with IRS staff attorneys and a few of their supervisors. Recently, we met with three senior members of the IRS Financial Institutions and Products group to discuss (1) our June submission and (2) certain preferential dividend issues for funds of funds that are being considered in a private letter ruling request. The attached letter and accompanying memoranda respond to various "multiple-class" issues that were raised during the recent meeting. A separate memorandum on "fund of funds" issues will be submitted soon. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment

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