

MEMO# 13467

May 1, 2001

IRS AND TREASURY RELEASE 2001 PRIORITY GUIDANCE PLAN

[13467] May 1, 2001 TO: ACCOUNTING/TREASURERS COMMITTEE No. 12-01 INTERNATIONAL COMMITTEE No. 33-01 TASK FORCE ON ADVISER/DISTRIBUTOR TAX ISSUES TAX COMMITTEE No. 17-01 TRANSFER AGENT ADVISORY COMMITTEE No. 32-01 UNIT INVESTMENT TRUST COMMITTEE No. 15-01 RE: IRS AND TREASURY RELEASE 2001 PRIORITY GUIDANCE PLAN The Internal Revenue Service (“IRS”) and the Treasury Department have released their “2001 Priority Guidance Plan” (attached), which lists their priorities for tax regulations and other administrative guidance through June 30, 2002. The shift from a calendar-year business plan (such as those issued in prior years), to a July 1 through June 30 plan, is intended to “alleviate the deluge of guidance” that has previously occurred in late December and early January. The 2001 Priority Guidance Plan lists 299 projects. Appendix A to the plan lists 20 additional projects “to which substantial resources will be committed in this plan but which we generally expect to publish in the succeeding plan year.” We are pleased to report that the following projects requested by the Institute¹ have been included on the plan: • Guidance under sections 162 and 263 regarding deduction and capitalization of expenditures.² • Proposed regulations regarding mark to market procedures for passive foreign investment companies.³ 1 See, e.g., Institute Memorandum to Tax Committee No. 9-01 and Task Force on Adviser/Distributor Tax Issues, dated February 26, 2001. 2 The mutual fund “launch cost” issue is an example of the type of guidance that could be issued under this business plan item. 3 This business plan item appears broad enough to include clarification of the procedures whereby a RIC feeder in a master-feeder fund structure can mark to market its allocable share of PFICs held at the master fund level. 2 • Guidance under section 1259 regarding constructive sales treatment for appreciated financial positions. Among the other projects that are, or may be, of interest to regulated investment companies (“RICs”) and their shareholders, and to unit investment trusts treated as grantor trusts and their unitholders, are the following: • Guidance regarding redemptions of corporate stock. • Guidance regarding conversions of C corporations to RIC or REIT status. • Guidance regarding the active trade or business requirement of section 355(b). • Reconsideration of Rev. Rul. 73-236 (regarding application of section 355(b) to REITs). • Guidance under section 263(g) regarding certain interest and carrying costs in the case of straddles. • Guidance under section 446 regarding notional principal contracts. • Guidance under section 446 regarding prepaid forward contracts. • Guidance regarding investments by RICs in partnerships. • Final regulations under section 1092(c) regarding certain equity options that do not have standard terms. • Guidance under section 1092 regarding straddles where one position is larger than the offsetting position. • Guidance under section 1272(a)(6) regarding pools of credit card receivables. • Additional guidance regarding certain equity derivative transactions. • Guidance under section 671 regarding requirements for widely held fixed investment trusts. • Guidance

relating to the reporting obligations of nonqualified intermediaries. • Other guidance regarding withholding on payments to foreign persons. • Guidance concerning the allocation and apportionment of expenses. • Final regulations relating to the application of the income tax treaties to payments from reverse hybrid entities. 3 • Guidance under the Canadian treaty relating to Canadian Registered Retirement Savings Plans. • Update Rev. Proc. 96-13 relating to the procedures for requesting competent authority assistance. • Guidance concerning the treatment of currency gain or loss. • Guidance concerning the international activities of partnerships. • Guidance regarding aggregation for purposes of section 704(c) for certain master- feeder partnerships. • Final regulations amending the check the box regulations under section 7701. • Update Rev. Proc. 87-32 regarding automatic annual accounting period change procedures for certain pass-through entities. • Proposed regulations under section 3406 to clarify the counting of notices to payors when multiple notices are received. • Regulations under section 6011 regarding electronic payee statements. • Regulations regarding electronic filing of attachments to Form 1040. • Guidance under section 6011 to remove impediments to electronic filing of certain business returns. • Final regulations under section 6041 regarding middleman reporting. • Announcement revising Form W-9 to permit a taxpayer to authorize an agent to furnish Form W-9 to the payor. • Guidance necessary to facilitate electronic tax administration. The following item on “Appendix A” may be of interest to RICs and their shareholders: • Study section 1001 regulations regarding modifications of debt instruments. Keith Lawson Senior Counsel Attachment Attachment (in .pdf format)

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