

**MEMO# 1763**

March 9, 1990

## **PROPOSED TENNESSEE LITIGATION**

March 9, 1990 TO: BOARD OF GOVERNORS NO. 16-90 SEC RULES COMMITTEE NO. 15-90  
STATE LIAISON COMMITTEE NO. 2-90 UNIT INVESTMENT TRUST COMMITTEE NO. 8-90 RE:  
PROPOSED TENNESSEE LEGISLATION

\_\_\_\_\_ As you know, many state laws provide that if a mutual fund or unit investment trust invests in municipal obligations issued by the state and its municipalities, interest received by the fund or trust and paid to its shareholders is exempt from state income tax. Thus, current Tennessee law provides that if a mutual fund or unit trust invests at least 75% of its assets in Tennessee municipal obligations, dividends paid to shareholders are exempt from Tennessee income tax. Legislation has been introduced in the Tennessee legislature that would repeal these exemptions, retroactive to 1977. The Institute has retained Tennessee counsel and is scheduled to testify in opposition to the proposed legislation on Monday, March 12, 1990. Attached are two newspaper articles describing this matter. We will keep you advised of further developments. Catherine L. Heron Deputy General Counsel Attachments

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