

**MEMO# 6123**

August 10, 1994

## **COMMENTS ON IRS RULING CONCERNING RIC INVESTMENTS IN PARTNERSHIPS**

1 See Institute Memorandum to Accounting/Treasurers Members No. 15-94, Closed-End Fund Committee No. 14-94 and Tax Members No. 25-94, dated June 10, 1994. 2 See Institute Memorandum to Accounting/Treasurers Members No. 18-94, Closed-End Fund Committee No. 17-94 and Tax Members No. 28-94, dated June 21, 1994. August 10, 1994  
TO: ACCOUNTING/TREASURERS COMMITTEE NO. 43-94 TAX COMMITTEE NO. 26-94 RE:  
COMMENTS ON IRS RULING CONCERNING RIC INVESTMENTS IN PARTNERSHIPS

As we previously informed you, on June 10 the IRS issued Revenue Ruling 94-40 regarding the application of the excise tax minimum distribution rules of Internal Revenue Code section 4982 to a regulated investment company ("RIC") holding an interest in a partnership<sup>1</sup>. The ruling, as modified by Revenue Ruling 94-40A,<sup>2</sup> provides that a RIC partner in a partnership must determine its required distribution under section 4982 by taking into account its share of partnership income, gain or loss as the partnership recognizes these amounts. Today, the Institute submitted the attached comments regarding Revenue Ruling 94-40. The comments respond to Announcement 94-84, which requested comments on the appropriate scope of the application of Revenue Ruling 94-40. The Institute's comments recommend that application of the ruling generally be limited to so-called master-feeder arrangements. The comments also urge that, to facilitate compliance with the RIC distribution requirements, guidance regarding the scope of the ruling's application be issued as quickly as possible. We will keep you informed of developments. Peter J. Cinquegrani Assistant Counsel - Tax Attachments

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