

**MEMO# 14978**

July 31, 2002

## **MARK YOUR CALENDARS -- AUGUST 20, 2002 CALL TO DISCUSS HR 5095, "AMERICAN COMPETITIVENESS AND CORPORATE ACCOUNTABILITY ACT OF 2002"**

[14978] July 31, 2002 TO: TAX COMMITTEE No. 22-02 RE: MARK YOUR CALENDARS -- AUGUST 20, 2002 CALL TO DISCUSS HR 5095, "AMERICAN COMPETITIVENESS AND CORPORATE ACCOUNTABILITY ACT OF 2002" Representatives Thomas, McCrery, Johnson and Houghton recently introduced HR 5095, "American Competitiveness and Corporate Accountability Act of 2002." Several provisions of the bill are of interest to regulated investment companies ("RICs") and their shareholders. Among other provisions, the bill would permit (1) the character of US-source interest and short-term capital gains to flow through a RIC to foreign shareholders (Sec. 323) and (2) taxpayers to elect to determine foreign tax credits by translating foreign taxes using the "spot rate" on date of payment to the foreign country (Sec. 324). We would like to solicit your input on potential technical issues for RICs, if any, under the language of these two provisions. With respect to the "flow-through" provision, for example, we would like to discuss (1) the proposed extension of Code section 897(h)(1) to RICs and (2) any required updates to the treatment of "qualifying assets" held by a RIC for estate tax purposes. We also would like to discuss the extent to which the proposed translation rule for foreign taxes would conform to industry practice. ACTION REQUESTED: We will hold a conference call on Tuesday, August 20, 2002 at 1:30 pm (EST) to discuss the attached "flow-through" and foreign tax translation provisions of HR 5095. To participate in the August 20 call, please RSVP to the Institute's Ezella Wynn ([ewynn@ici.org](mailto:ewynn@ici.org), 202/218-3560 (phone) or 202/326-5821 (fax)). Deanna J. Flores Associate Counsel Attachment Attachment (in .pdf format)