

**MEMO# 1551**

November 21, 1989

## **INSTITUTE STATEMENT TO HOUSE WAYS AND MEANS SUBCOMMITTEE REGARDING MISCELLANEOUS REVENUE ISSUES**

November 21, 1989 TO: TAX COMMITTEE NO. 20-89 RE: INSTITUTE STATEMENT TO HOUSE  
WAYS AND MEANS SUBCOMMITTEE REGARDING MISCELLANEOUS REVENUE ISSUES

The House Ways and Means Subcommittee on Select Revenue Measures recently held a hearing on miscellaneous revenue issues. Three proposals addressed at this hearing are of interest to regulated investment companies ("RICs"). The first proposal would extend ordinary income treatment to a bank's sale of RIC stock where substantially all of the RIC's assets would give rise to ordinary income treatment if held directly by a bank. The second proposal would add RIC shares to the list of "qualifying assets" that determine a thrift's eligibility for favorable tax treatment. The third proposal would (1) extend the period over which capital losses could be carried forward by Subchapter C corporations to fifteen years and (2) limit the use of such carryovers for alternative minimum tax purposes. As drafted, the third proposal would not apply to RICs. The attached Institute statement expresses support for the first two proposals and agrees that RICs should be excluded from the third proposal. The first two proposals are consistent both with "look-through" treatment for RIC stock and with bank and thrift regulatory policy. In addition, they facilitate the market for RIC shares. The extension of the capital loss carryforward period that would be provided by the third proposal was determined, based upon comments received, to be unnecessary for RICs, especially when the "price" for the extension would be a limitation on the use of capital loss carryforwards for purposes of the alternative minimum tax. We will keep you informed of developments. Keith D. Lawson Assistant General Counsel Attachment