

MEMO# 11188

August 13, 1999

PROCEDURES FOR SHAREHOLDER REPORTING OF CAPITAL GAINS SIMPLIFIED FOR 1999 TAX RETURNS

1 Note, however, that shareholders filing Form 4952, "Investment Interest Expense Deduction," and electing to include certain net capital gains in "investment income" will be required to complete Schedule D. 2 See, e.g., Institute Memorandum to Accounting/Treasurers Committee No. 20-99, Bank and Trust Advisory Committee No. 15-99, Broker/Dealer Advisory Committee No. 16-99, Operations Committee No. 26-99, Tax Committee No. 14-99 and Transfer Agent Advisory Committee No. 42-99, dated June 29, 1999. [11188] August 13, 1999 TO: ACCOUNTING/TREASURERS COMMITTEE No. 28-99 BANK AND TRUST ADVISORY COMMITTEE No. 19-99 BROKER/DEALER ADVISORY COMMITTEE No. 22-99 OPERATIONS COMMITTEE No. 33-99 TAX COMMITTEE No. 23-99 TRANSFER AGENT ADVISORY COMMITTEE No. 54-99 RE: PROCEDURES FOR SHAREHOLDER REPORTING OF CAPITAL GAINS SIMPLIFIED FOR 1999 TAX RETURNS

We are pleased to inform you that the attached draft instructions with respect to the procedures for shareholder reporting of capital gains on Form 1040 for 1999 have been placed on the IRS website. These instructions confirm that, for 1999, mutual fund shareholders whose only capital gains are from capital gain dividends (no portion of which is taxable at a maximum rate in excess of 20 percent) will not be required to complete the 54-line Schedule D.¹ Rather, these shareholders will be able to check a box and report their gains on line 13 of Form 1040 without completing Schedule D, just as they did prior to 1997.² For shareholders not required to complete Schedule D, the attached draft instructions also include a "Capital Gain Tax Worksheet" to be used to determine the amount of tax reported on line 40 of Form 1040. Deanna J. Flores Assistant Counsel Attachment