

MEMO# 3060

August 30, 1991

NEW CONNECTICUT INCOME TAX LAW PROVIDES FOR PASS-THROUGH OF FEDERAL OBLIGATION INTEREST

August 30, 1991 TO: TAX MEMBERS NO. 36-91 MONEY MARKET MEMBERS - ONE PER COMPLEX NO. 23-91 RE: NEW CONNECTICUT INCOME TAX LAW PROVIDES FOR PASS-THROUGH OF FEDERAL OBLIGATION INTEREST

_____ The Institute is pleased to inform you that another state which previously had taxed dividend income of regulated investment companies ("RICs") derived from interest on federal obligations now permits the character of such income to pass through to shareholders. Section 123 of Connecticut S.B. 2010 (attached), signed by the governor on August 22, 1991, provides that a RIC which has at least 50 percent of its assets at the end of each quarter in securities which are exempt from state tax under federal law will be allowed to designate "exempt dividends" in a written notice sent to shareholders by the sixtieth day after the end of the RIC's tax year. The RIC may not designate as an "exempt dividend" more than the proportion of total income derived from federal obligations. The provision is effective for taxable years of taxpayers beginning on or after January 1, 1991. We will keep you informed of further developments. David J. Mangefrida, Jr. Assistant Counsel - Tax Attachment

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