

MEMO# 9194

August 27, 1997

INSTITUTE LETTER TO TREASURY REQUESTING GUIDANCE ON NEW CAPITAL GAIN PROVISIONS

1 See Institute Memorandum to Tax Members No. 27-97, Accounting/Treasurers Members No. 31-97, Operations Members No. 13-97, International Members No. 12-97, Closed-End Investment Company Members No. 23-97, Unit Investment Trust Members No. 28-97 and Transfer Agent Advisory Committee No. 36-97, dated August 1, 1997. [9194] August 27, 1997 TO: ACCOUNTING/TREASURERS COMMITTEE No. 30-97 OPERATIONS COMMITTEE No. 31-97 TAX COMMITTEE No. 26-97 TRANSFER AGENT ADVISORY COMMITTEE No. 43-97 RE: INSTITUTE LETTER TO TREASURY REQUESTING GUIDANCE ON NEW CAPITAL GAIN PROVISIONS

As we previously informed you,¹ the Taxpayer Relief Act of 1997 changed significantly the taxation of long-term capital gains for individual taxpayers by creating multiple categories of gains that are subject to maximum tax rates ranging from 28% to 8%. In the attached letter to Donald Lubick, Acting Assistant Treasury Secretary for Tax Policy, the Institute requested prompt guidance on the new capital gain provisions because it is imperative that issues raised by the new provisions be resolved as soon as possible, so that investment companies can properly report relevant tax information to shareholders. Specifically, the letter requested guidance in the following areas: (1) tax reporting to shareholders; (2) pass-through of capital gains to shareholders; and (3) calculation of required excise tax distributions. In formulating guidance, the Institute urged the Treasury to adopt a practical approach that will permit funds to distribute various types of long-term capital gains in a manner that is easy for shareholders to understand and report on their tax returns. We will keep you informed of developments. Anne M. Barr Associate Counsel - Tax Attachment (in .pdf format)