

MEMO# 12933

December 15, 2000

REVISED IRS FORMS FURTHER CLARIFY QUALIFIED 5-YEAR GAIN RULES

[12933] December 15, 2000 TO: TAX MEMBERS No. 37-00 TRANSFER AGENT ADVISORY COMMITTEE No. 65-00 ACCOUNTING/TREASURERS COMMITTEE No. 44-00 RE: REVISED IRS FORMS FURTHER CLARIFY QUALIFIED 5-YEAR GAIN RULES As we previously informed you, the Internal Revenue Service ("IRS") recently released guidance, requested by the Institute, regarding implementation by regulated investment companies ("RICs") and their shareholders of the new "qualified 5-year gain" rules that become effective after December 31, 2000.¹ Following issuance of this guidance, which stated that the mark-to-market election could be made for "an asset," the Institute requested a further clarification to confirm that the election may be made on a security-lot-by-security-lot basis. We are pleased to inform you that the attached instructions to the IRS Form 1120 Schedule D² expressly state that RICs may "[m]ake the election on a share-by-share or asset-by-asset basis." The instructions also contain additional guidance on the manner in which a RIC may elect, on an original or amended return, to recognize gain on assets held on January 1, 2001. Keith Lawson Senior Counsel Attachments Note: Not all recipients receive the attachments. To obtain copies of the attachments to which this memo refers, please call the ICI Library at (202) 326-8304 and request the attachments for memo 12933. ICI Members may retrieve this memo and its attachments from ICINet (<http://members.ici.org>). Attachment no. 1 (in .pdf format) 1 See Institute Memorandum to Tax Members No. 33-00, Transfer Agent Advisory Committee No. 57-00 and Accounting/Treasurers Committee No. 41-00, dated November 3, 2000. 2 Also attached are the 2000 IRS Form Schedule D, the 2000 IRS Form 1120-RIC and the accompanying instructions.

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