

**MEMO# 14983**

August 2, 2002

## **2002 YEAR-END TAX REPORTING FORMATS**

[14983] August 2, 2002 TO: ACCOUNTING/TREASURERS COMMITTEE No. 37-02 BANK AND TRUST ADVISORY COMMITTEE No. 7-02 BROKER/DEALER ADVISORY COMMITTEE No. 25-02 CLOSED-END INVESTMENT COMPANY COMMITTEE No. 31-02 OPERATIONS COMMITTEE No. 11-02 TAX COMMITTEE No. 23-02 TRANSFER AGENT ADVISORY COMMITTEE No. 64-02 RE: 2002 YEAR-END TAX REPORTING FORMATS Attached to this memorandum are the final "primary" and "secondary" uniform file formats to be used by regulated investment companies ("RICs") to report 2002 year-end tax information to brokers.<sup>1</sup> Also attached to this memorandum is the final reporting format to be used by RICs that have declared an "undistributed long-term capital gain" reportable to shareholders on Form 2439.<sup>2</sup> The 2002 Primary Layout contains the information required to prepare IRS Forms 1099 for shareholders. The 2002 Secondary Layout A is used to provide CUSIP-level tax information to brokers regarding (1) "preference items" for taxpayers subject to the alternative minimum tax, (2) the Florida intangible personal property tax, (3) distributions from foreign sources, (4) threshold requirements to distribute exempt-interest dividends in certain states, and (5) year-end income breakdowns by State for municipal bond funds and by type of security (e.g., "Exempt Federal Securities" and "Non-Exempt Securities") for other bond funds. The 2002 Secondary Layout B is used to provide DISTRIBUTION-level tax information to brokers regarding the Massachusetts capital gains tax. Each of the attached 2002 formats includes a separate sheet for a RIC to designate a year-end tax information contact person to whom brokers may direct questions regarding the RIC's reported information. With the exception of a change to Secondary Layout B to accommodate a new long-term capital gains tax rate in Massachusetts (effective May 1, 2002), no changes have been made to the 2002 year-end tax reporting formats that would require reprogramming of last year's 1 In a departure from prior years, the American Bankers Association has elected not to provide a listing of bank contacts to receive 2002 year-end tax information from RICs. 2 This same format also may be used by real estate investment trusts or "REITs." 2 formats. As described below, certain clarifications have been made to the instructions for the 2002 year-end tax reporting formats. In General • Securities Industry Association ("SIA") Requested Reporting Date. The SIA has requested that RICs provide all year-end tax information on the Primary Layout no later than January 10, 2003. Information on the Secondary Layout A and B Formats is requested no later than January 17, 2003. • While all numerical data is shown on the year-end tax reporting formats as six (6) digits after the decimal point, the brokers will accept data up to nine (9) digits after the decimal point. In this case, the brokers would truncate the RIC's data, as necessary, to six (6) digits after the decimal point. Primary Layout • Use as many characters as necessary for the "Fund Name" in Column 1. • If identical year-end tax information would be reported for all share classes of a particular RIC, the RIC may report this information for one share class

and instruct brokers in a transmittal letter that the same information applies for all other share classes of that RIC. The RIC also separately may report year-end tax information for each share class. Secondary Layout A • Include any income sourced in Northern Mariana Islands (“NMI”) in Column 21, together with Guam-source income. Indicate the amount of NMI-source income included in Column 21 in a transmittal letter to brokers. Secondary Layout B • Effective May 1, 2002, the Massachusetts tax rate for all long-term capital gains is 5.3 percent. A new Column 12 has been added to indicate the amount of a RIC’s total long-term capital gain distribution (Column 16 on the Primary Layout) to be treated by Massachusetts residents as subject to the 5.3 percent rate. \* \* \* As in prior years, the Institute will distribute an updated list of “tax contacts” at brokerage firms to whom RICs should send year-end tax information as soon as it is provided by the SIA. The Institute also will distribute the procedures for RICs to access 2002 year-end tax information of REITs when they are provided by the National Association of Real Estate Investment Trusts (“NAREIT”). 3 Questions regarding tax reporting may be directed to Deanna Flores of the Institute’s Legal department (dflores@ici.org or 202/371-5436). Specific questions regarding the uniform file layouts for use by RICs in reporting year-end tax information to brokers may be directed to Justine Phoenix of the Institute’s Operations Department (justine@ici.org or 202/326-5850). Deanna J. Flores Justine Phoenix Associate Counsel Director- Operations/Distribution & Services Attachments Attachment no. 1 (in .pdf format)

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