

MEMO# 18566

February 18, 2005

TREASURY RELEASES FINAL REGULATIONS ON TAX REPORTING REGARDING SYNTHETIC TAX-EXEMPT SECURITIES

[18566] February 18, 2005 TO: FIXED-INCOME ADVISORY COMMITTEE No. 6-05 MONEY MARKET FUNDS ADVISORY COMMITTEE No. 4-05 TAX MEMBERS No. 2-05 RE: TREASURY RELEASES FINAL REGULATIONS ON TAX REPORTING REGARDING SYNTHETIC TAX-EXEMPT SECURITIES As requested by the Institute¹, Treasury has issued the attached final regulations (T.D. 9177), which allow the Commissioner to create an exception to the return filing requirements for partnerships under Section 6031 of the Internal Revenue Code. The final rules adopt without any changes temporary regulations (T.D. 9094) issued in November 2003. The exception may be provided to the reporting requirements of I.R.C. Section 6031(a) for partnerships in which all or most of the partnership's income is derived from the holding or disposition of tax-exempt obligations or shares in a regulated investment company that pay exempt-interest dividends. The exception may be conditioned on substitute reporting and eligibility and other requirements. In conjunction with the proposed and temporary rules, the IRS issued Revenue Procedure 2003-84, which detailed the expanded exception to return filing requirements for partnerships that invest in tax-exempt obligations, addressing partnerships used to create the economic equivalent of a variable-rate tax-exempt bond.² The effective date for the final regulations is Nov. 5, 2003. Lisa Robinson Associate Counsel Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 18566, or call the ICI Library at (202) 326-8304 and request the attachment for memo 18566. 1 See Institute Memorandum to Tax Members No. 38-03, Pension Members No. 35-03, Accounting/Treasurers Members No. 31-03, International Members No. 26-03, Unit Investment Trust Members No. 25-03, Transfer Agent Advisory Committee No. 70-03, Advisor Distributor Tax Issues Task Force No. 11-03, and Pension Operations Advisory Committee No. 47-03 (16373), dated July 30, 2003. 2 See Institute Memorandum to Tax Members No. 60-03, Money Market Funds Advisory Committee No. 18-03, and Fixed-Income Advisory Committee No. 16-03 (16745), dated November 6, 2003.