

MEMO# 1436

October 4, 1989

YEAR-END DIVIDEND REPORTING

October 4, 1989 TO: OPERATIONS MEMBERS NO. 29-89 SEC RULES MEMBERS NO. 54-89
TAX MEMBERS NO. 33-89 BROKER/DEALER ADVISORY COMMITTEE NO. 44-89
ACCOUNTING/TREASURERS MEMBERS NO. 5-89 RE: YEAR-END DIVIDEND REPORTING

During this past summer, in response to concerns expressed by members of the Institute's Broker/Dealer Advisory Committee (BDAC), the Institute formed a liaison group consisting of representatives of the Accounting/Treasurers Committee (ATC) and the BDAC to address the issue of the timeliness of year-end dividend reporting by funds to broker/dealers for street name accounts. As you know, broker/dealers have the same January 31 IRS reporting deadline as do investment companies for reporting 1099 information to shareholders. Following discussions of the ATC/BDAC liaison group, a survey of the ATC members was conducted, which revealed that only about 5% of the funds represented by survey respondents might have difficulty meeting a proposed January 15 deadline. The anticipated difficulties relate primarily to the need to estimate year-end dividends necessary to meet calendar year minimum distribution requirements of Internal Revenue Code Section 4982. The ability to accurately estimate required year-end distributions is particularly difficult for funds that regularly engage in certain types of transactions, e.g., financial futures and forward currency contracts. Dividend reclassifications are sometimes necessary as a result of mis-estimates caused by events subsequent to declaration of a fund's year-end dividend. In the attached memorandum from the ATC to the BDAC, the fund groups represented on the ATC state their goal to meet the compromise deadline of January 15 for reporting final year-end dividend information (including any post-year-end reclassifications) to broker/dealers, recognizing the possibility that the goal may not always be achievable for certain funds. The Institute urges all of its fund members with broker/ dealer street name accounts to adopt the goal of reporting final dividend information for the year to broker/dealers by January 15. The Institute believes the January 15 deadline is reasonable and appropriate as a matter of fairness to the industry's broker/ dealer shareholders, who have substantial tax reporting burdens of their own. Thank you for your attention to this important matter.

Donald E. O'Connor Vice President - Operations Attachment