

MEMO# 4516

February 22, 1993

INSTITUTE SUBMISSION TO IRS REGARDING DEDUCTIBILITY OF FUND 12B-1 FEES

February 22, 1993 TO: TAX COMMITTEE NO. 9-93 ACCOUNTING/TREASURERS COMMITTEE NO. 9-93 RE: INSTITUTE SUBMISSION TO IRS REGARDING DEDUCTIBILITY OF FUND 12b-1 FEES _____ As we previously advised you, the IRS proposed business plan for 1993 states that the IRS intends to issue guidance on the deductibility of 12b-1 fees paid by a mutual fund. (See Institute memorandum to Tax Committee No. 7-93, and Accounting/ Treasurers Committee No. 5-93, dated January 21, 1993.) Attached is an Institute memorandum submitted to the IRS on this issue. The memorandum urges the IRS to rule that mutual fund 12b-1 fees are deductible as ordinary and necessary business expenses. As stated in the memorandum, mutual funds, unlike other corporations, are continuously engaged in the issuance of their shares. Thus, funds are permitted to deduct the expenses associated with the issuance of new shares. An IRS ruling should confirm the deductibility of 12b-1 fees as recurring, necessary expenses of a fund's business operations. We will keep you informed of developments. Catherine L. Heron
Vice President - Tax and Pension Attachments

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