

MEMO# 8495

December 24, 1996

JANUARY 15 MEETING ON EXCISE TAX PROPOSAL

VIA FAX December 24, 1996 TO: TAX COMMITTEE No. 37-96 RE: JANUARY 15 MEETING ON EXCISE TAX PROPOSAL

_____ A meeting will be held on January 15, 1997, at 1:30 p.m., in the Institute's David Silver Conference Room (1401 H Street, NW, 12th Floor) to discuss an Institute proposal for modifying the section 4982 excise tax rules. Lunch will be available at approximately 12:30 p.m. (following completion of the Institute's International Committee meeting, which will be held during the morning). Please complete the attached Meeting Attendance Response Form and fax it to Theresa Brice at 202-326-5839 if you plan to attend the meeting. The proposal contains the following components: (1) A regulated investment company's ("RIC's") "required distribution" would be based upon taxable year income measured at year-end and other specific dates. For example, the required distribution of a June 30 RIC would be (a) 100 percent of its net ordinary income and capital gain net income for the taxable year ending on June 30, (b) 98 percent of its taxable year-to-date ordinary income at December 31 and (c) 98 percent of its taxable year-to-date capital gain net income at October 31. (2) Earnings and profits would be determined without regard to any net ordinary loss arising after December 31, thereby eliminating the "post-December ordinary loss" problem. (3) The rules for deferring post-October losses for designation purposes would be elective, thereby eliminating problems created currently by mandatory deferral. (4) Elective deferral of "post-October net short-term capital losses" would be provided, thereby eliminating problems created by the current inability to defer them. (5) An October 31 "cut off" would be applied to all income arising from dispositions of capital assets, thereby eliminating the distribution problems that can arise from certain dispositions during November and December that create ordinary income. Detailed materials regarding the proposal (including examples) will be mailed to all Tax Committee members before the meeting. Keith D. Lawson Associate Counsel - Tax Attachment ATTENDANCE RESPONSE FORM INVESTMENT COMPANY INSTITUTE EXCISE TAX PROPOSAL MEETING Wednesday, January 15, 1997 Please fax this portion by Friday, January 10, 1997 to Theresa Brice Investment Company Institute, 202-326-5839. YES NO ____ LUNCH - 12:30 p.m. ____ EXCISE TAX PROPOSAL MEETING - 1:30 p.m. ____ COMMITTEE MEMBER'S NAME or _____ ALTERNATE'S NAME _____ COMPANY NAME Please check here if you need special services due to a disability.

abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.