

**MEMO# 7895**

May 24, 1996

## **INSTITUTE TESTIFIES ON MASSACHUSETTS BILL TO MODIFY TAXATION OF FUND ADVISERS**

May 24, 1996 TO: TAX COMMITTEE No. 17-96 MASSACHUSETTS MEMBERS RE: INSTITUTE  
TESTIFIES ON MASSACHUSETTS BILL TO MODIFY TAXATION OF FUND ADVISERS

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Massachusetts legislature is considering a bill to modify the taxation of corporations providing management, distribution or administrative ("adviser") services to or on behalf of mutual funds and other investment companies. Specifically, the bill would modify the formula for determining the portion of a fund advisers income attributable to business activity in Massachusetts by providing an election to apportion income based solely upon "Massachusetts receipts," which would be based upon the percentage of fund shareholders resident in Massachusetts. Last week, the Institute testified before the Massachusetts Joint Committee on Taxation in support of this bill. In the attached testimony and written statement, the Institute described recent growth in the mutual fund industry and the expected future growth attributable to increased retirement saving. The testimony discusses the benefits that states receive from the fund industry and the high quality labor force it employs. It also reviews recent efforts by other states to attract and retain fund adviser business. In a supplemental statement filed today, the Institute responded to questions posed by the Committee regarding mutual fund industry growth, jobs created and state incentives to attract fund adviser business. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachments