

MEMO# 2174

September 7, 1990

MINNESOTA SUPREME COURT EXEMPTS DIVIDENDS DERIVED FROM FEDERAL INTEREST FROM STATE TAX

- 1 - September 7, 1990 TO: TAX MEMBERS NO. 35-90 MONEY MARKET MEMBERS - ONE PER
COMPLEX NO. 11-90 RE: MINNESOTA SUPREME COURT EXEMPTS DIVIDENDS DERIVED
FROM FEDERAL INTEREST FROM STATE TAX

_____ The attached Minnesota Supreme Court case affirming a Minnesota Tax Court case, *Yurista v. Commissioner of Revenue*, holds that the portion of the dividends of a mutual fund directly attributable to interest on U.S. Treasury notes and bonds is exempt from Minnesota state income tax. The case also holds that interest on obligations which are merely guaranteed, not issued, by the federal government, such as obligations of the Government National Mortgage Association (Ginnie Mae) or the Federal National Mortgage Association (Fannie Mae) would not be exempt from tax when paid out of a mutual fund as dividends. The state has 90 days in which to decide whether to appeal the case to the U.S. Supreme Court. We will keep you informed of further developments. David J. Mangefrida, Jr. Assistant General Counsel Attachment DJM:bmb

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