

**MEMO# 4165**

October 8, 1992

## **TAX PROVISIONS IN ENERGY BILL**

October 8, 1992 TO: TAX MEMBERS NO. 64-92 OPERATIONS MEMBERS NO. 36-92 TRANSFER AGENT ADVISORY COMMITTEE NO. 57-92 INSTITUTIONAL FUNDS COMMITTEE NO. 20-92 RE: TAX PROVISIONS IN ENERGY BILL

The Senate today gave final approval to the energy bill (H.R. 776), which was passed by the House on October 5. The President has ten days from receipt of the bill to sign or veto it. Two tax provisions in the bill, relating to investments by nuclear decommissioning funds and the rate at which backup withholding is imposed, are of interest to regulated investment companies ("RICs") and their shareholders. As you may know, the IRS issued proposed regulations last year which would allow nuclear decommissioning funds to invest in RICs that meet certain conditions concerning assets and conduct. (See Institute Memorandum to Tax Committee No. 28-91 and Institutional Funds Committee No. 5-91, dated August 23, 1991.) The attached provision of the energy bill (Attachment A) repeals the present-law investment restrictions entirely, effective for taxable years beginning after December 31, 1992. As we previously informed you, the tax bill passed by the Senate on September 29, 1992 would have increased the Code section 3406 backup withholding rate from 20 percent to 31 percent. (See Institute Memorandum to Tax Members No. 59-92, Accounting/Treasurers Members No. 35-92, Closed-End Fund Members No. 36-92, Operations Members No. 32-92, Unit Investment Trust Members No. 49-92, International Members No. 20-92 and Transfer Agent Advisory Committee No. 52-92, dated September 30, 1992.) Pursuant to the Conference Committee agreements on the tax and energy bills, the provision increasing the backup withholding rate to 31 percent, effective for amounts paid after December 31, 1992 (Attachment B), has been deleted from the tax bill and is included in the energy bill. We will keep you informed of developments. Keith D. Lawson  
Associate Counsel - Tax Attachments