

MEMO# 5252

October 22, 1993

TAX-EXEMPT FUND RULING DISCUSSED AT OCTOBER MEETING

October 22, 1993 TO: TAX COMMITTEE NO. 37-93 RE: TAX-EXEMPT FUND RULING
DISCUSSED AT OCTOBER MEETING

_____ Last week, the Tax Committee addressed several issues arising from the recent tax law change that treats as ordinary income the market discount realized upon the disposition of tax-exempt obligations purchased after April 30, 1993. During the discussion, reference was made to the attached private letter ruling, which permits designations of taxable and tax-exempt income in a tax-exempt fund to be made in a non-pro rata manner. At the Committee's request, the Institute is distributing the ruling because of its potential application to the market discount issue relating to pro rata allocations of expenses under Code Section 265(a)(3). We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment

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