

MEMO# 1734

February 23, 1990

IRS ALLOWS COMPOSITE RETURNS FOR IRAS INVESTED IN RICS TO CLAIM REFUND UNDER SECTION 852(B)

February 23, 1990 TO: PENSION MEMBERS NO. 9-90 TAX MEMBERS NO. 10-90 OPERATIONS MEMBERS NO. 7-90 TRANSFER AGENT ADVISORY COMMITTEE NO. 6-90 RE: IRS ALLOWS COMPOSITE RETURNS FOR IRAs INVESTED IN RICs TO CLAIM REFUND UNDER SECTION 852(b) _____ Attached is a copy of IRS Notice 90-18, which permits trustees of individual retirement accounts (IRAs) invested in regulated investment companies (RICs) to file a composite return to claim a refund under section 852(b) of the Internal Revenue Code. An IRA invested in a RIC that has elected to retain a long term capital gain may claim a refund of its share of tax paid by the RIC by filing Form 990-T, Exempt Organization Business Income Tax Return. The IRS formerly took the position, however, that an entity that served as a common trustee for several such IRAs was required to prepare a separate Form 990-T for each IRA. Under the notice, a common trustee may file a single composite Form 990-T for all such IRAs (except IRAs with unrelated business taxable income). The trustee must obtain a special employer identification number for this purpose, and must attach a list of the IRAs for which the claim is being made showing the names and Social Security numbers of the IRA owners and the allocated shares of tax paid by the RICs. The IRAs must be grouped according to the RICs in which they are invested. We will keep you informed of further developments. Kathy D. Ireland Associate General Counsel Attachment

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.