

MEMO# 12637

September 15, 2000

2000 YEAR-END TAX REPORTING FORMATS

[12637] September 15, 2000 TO: ACCOUNTING/TREASURERS COMMITTEE No. 34-00 BANK AND TRUST ADVISORY COMMITTEE No. 26-00 BROKER/DEALER ADVISORY COMMITTEE No. 22-00 OPERATIONS COMMITTEE No. 23-00 TAX COMMITTEE No. 41-00 TRANSFER AGENT ADVISORY COMMITTEE No. 46-00 RE: 2000 YEAR-END TAX REPORTING FORMATS As in prior years, the Institute has been working with representatives of the Securities Industry Association ("SIA"), the American Bankers Association ("ABA") and the National Association of Real Estate Investment Trusts ("NAREIT") to improve the uniform reporting procedures pursuant to which regulated investment companies ("RICs") and real estate investment trusts ("REITs") will report "reclassified"¹ year-end tax information. Attached to this memorandum are the final "primary" and "secondary" uniform file formats to be used by RICs to report 2000 year-end tax information to brokers and banks. The 2000 primary uniform file format contains the information required to prepare IRS Forms 1099 for RIC shareholders. The 2000 secondary uniform file format enables RICs to provide brokers and banks 2000 year-end income breakdowns (1) by State for municipal bond funds and (2) by type of security (i.e., Exempt Federal Securities, GNMA's & FNMA's, Repurchase Agreements and Other Non-Exempt Securities)² for other bond funds. Also attached to this memorandum is the final reporting format only to be completed by RICs that have declared an Undistributed Long-Term Capital Gain ("ULTCG") to be reported on IRS Form 2439.³ The following changes from the 1999 uniform file formats have been incorporated into the examples and instructions for the 2000 uniform file formats. None of these changes should

¹ This year-end information often is referred to as "reclassified" tax information because of the practice at many brokerage firms and banks to treat distributions from RICs and REITs as ordinary income until advised to "reclassify" the income, such as to long-term capital gain.

² As in prior years, RICs are to provide year-end income breakdowns for GNMA's & FNMA's and Repurchase Agreements only where the information is otherwise available and relevant to their shareholders.

³ It is expected that the ULTCG format will be used by RICs on an "as-needed" basis and returned by facsimile to brokers and banks. For 2000, column 15 of the format has been relabeled "Tax Paid by RIC" to better correspond with IRS Form 2439.

²require a programming modification from last year. Be advised, however, that programming changes are expected for the 2001 uniform file formats.

4 PRIMARY AND SECONDARY UNIFORM FILE FORMATS • SIA Requested Reporting Dates. The dates by which the SIA has requested that RICs provide all year-end tax information are no later than (1) Monday, January 8, 2001 for information on the primary uniform file format and (2) Tuesday, January 16, 2001⁵ for information on the secondary uniform file format. The SIA has further requested that RICs provide any final year-end tax information (such as for fixed income files) as soon as it becomes available in advance of these dates on a piece-meal basis.

• **Format for Reporting "Zero" Amounts.** The SIA has requested that zero amounts be

reported on the formats as numerical zeros, rather than as dashes (“—”). • Use of “Comment Sheets”. Where a reportable event occurs that is not accommodated by a separate column on the uniform reporting formats (e.g., distributions from a liquidating RIC, REIT stock dividends, CUSIP number changes), the SIA has requested that a RIC describe all such events on a separate “comment” sheet of the Excel file for the primary or secondary uniform file format, as appropriate. This procedural change eliminates the need to include extensive footnotes on the same sheet of the Excel file as the numerical year-end tax information.

PRIMARY UNIFORM FILE FORMAT

- Use of Status Column for “Spillover” Dividends. Please remember to indicate with an “S” in Column #1 (Status) any portion of a “spillover” distribution that is taxable in 2001.
- Record Date for Daily Dividend Funds. Please remember to include the word “DAILY” in Column #8 (Record Date) for a mutual fund that accrues dividends daily.
- Funds with No Distributions During 2000. If a mutual fund makes no distributions for 2000, either include numerical zeros on the format for that fund or include a written listing of any funds without distributions on the “comment sheet,” as described above.
- Issuer Classification Instructions. The description of “networked” funds has been modified to refer to mutual funds that are “NSCC Eligible” or “Non-NSCC Eligible.” If your fund uses NSCC for trade placement and settlement, then it is “NSCC Eligible.” The issuer classification of “other” also has been eliminated. The 2000 uniform file formats are available to Institute members on the Institute’s members-only internet home page (ICINet) that is located at <http://members.ici.org>. Those 4 For example, the 2001 primary uniform file format will need to be modified to include a new column for “qualified five year gains” taxable at an 8-percent rate. The 2001 file formats also will likely be modified to report all numerical data on the formats as six (6) digits after the decimal point.

5 Monday, January 15, 2001 is Martin Luther King, Jr. Day. 3Institute members with internet access who have not been issued an ICINet password may receive one by accessing the ICINet page and completing the ICINet enrollment form.

ACTION REQUESTED: As reflected in the instructions for the 2000 file formats, the target dates by which the SIA has requested that RICs provide all year-end tax information are no later than (1) Monday, January 8, 2001 for information on the primary uniform file format and (2) Tuesday, January 16, 2001 for information on the secondary uniform file format. The Institute will distribute updated listings of the “tax contacts” at brokerage firms and banks to whom RICs should send year-end tax information as soon as they are provided by the SIA and ABA, respectively. At the same time, the Institute also will distribute the final procedures for RICs to access year-end tax information of REITs on a free internet home page maintained by Wall Street Concepts on behalf of NAREIT. * * * Questions regarding year-end tax reporting may be directed to the undersigned at dflores@ici.org or 202/371-5436. Specific questions regarding the uniform file layouts for use by RICs in reporting year-end tax information to brokers and banks may be directed to Justine Phoenix of the Institute’s Operations Department at justine@ici.org or 202/326-5850. Deanna J. Flores Assistant Counsel

Attachments Attachment no. 1 (in .pdf format)