

MEMO# 4215

October 28, 1992

INSTITUTE COMMENT LETTER ON PROPOSED MISSOURI TAX REPORTING AND PASS-THROUGH REGULATIONS

- 1 - October 28, 1992 TO: TAX COMMITTEE NO. 40-92 MONEY MARKET MEMBERS - ONE PER COMPLEX NO. 19-92 RE: INSTITUTE COMMENT LETTER ON PROPOSED MISSOURI TAX REPORTING AND PASS-THROUGH REGULATIONS

As you know, the Missouri Department of Revenue recently had proposed that, in order for Missouri taxpayers to claim the exemption from Missouri income tax for regulated investment company ("RIC") dividends attributable to federal obligation interest, shareholders would be required to attach to their returns "a statement received from the mutual fund showing the amount of monies received from each government obligation or the percentage of funds received from each exempt obligation." (See Institute Memorandum to Tax Committee No. 34-92 and Money Market Members - One Per Complex No. 15-92, dated September 11, 1992.) The Institute submitted a comment letter requesting that a fund be permitted to provide the percentage or dollar amount of its income which represents all federal obligation interest earned by the fund. (See Institute Memorandum to Tax Committee No. 36-92 and Money Market Members - One Per Complex No. 16-92, dated September 16, 1992.) Missouri then proposed amendments to a second, related regulation which would (1) require reporting for RIC shareholders similar to that which had been suggested by the Institute in its first comment letter, and (2) eliminate the current 50% threshold on the percentage of a RIC's assets which must be invested in U.S. government obligations in order for the RIC to pass through to its shareholders the tax-exempt character of interest from federal obligations. (See Institute Memorandum to Tax Committee No. 38-92 and Money Market Members - One Per Complex No. 18-92, dated October 8, 1992.) The Institute has submitted the attached comment letter which (a) strongly supports adoption of the second proposed regulation and (b) points out that the first proposed amendment no longer is necessary. We will keep you informed of further developments.

- 2 - David J. Mangefrida Jr. Assistant Counsel - Tax Attachment

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