

MEMO# 19083

August 12, 2005

IRS AND TREASURY RELEASE 2005-2006 PRIORITY GUIDANCE PLAN

©2005 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. [19083] August 12, 2005 TO: 529 PLAN MEMBERS No. 15-05 ACCOUNTING/TREASURERS MEMBERS No. 15-05 INTERNATIONAL MEMBERS No. 26-05 PENSION MEMBERS No. 34-05 PENSION OPERATIONS ADVISORY COMMITTEE No. 26-05 TAX MEMBERS No. 21-05 TRANSFER AGENT ADVISORY COMMITTEE No. 41-05 UNIT INVESTMENT TRUST MEMBERS No. 17-05 RE: IRS AND TREASURY RELEASE 2005-2006 PRIORITY GUIDANCE PLAN The Internal Revenue Service ("IRS") and the Treasury Department have released their "2005-2006 Priority Guidance Plan" (attached) listing their priorities for tax regulations and other administrative guidance through June 30, 2006. We are pleased to report that the following projects requested by the Institute¹ have been included on the plan: Items of Interest to Funds and Fund Shareholders • guidance for regulated investment companies ("RICs") concerning the application of section 1(h) to capital gain dividends; • proposed regulations simplifying the reporting to RIC shareholders with respect to the flow through of the foreign tax credit; • guidance under sections 897 and 1445, relating to the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") and associated withholding obligations; • guidance under section 1(h)(11) on the definition of qualified foreign corporation; • other guidance under section 1(h)(11) on the taxation of dividends from certain foreign corporations received by individuals; ¹ See Institute Memorandum (18792) to 529 Plan Members No. 9-05, Accounting/Treasurers Members No. 10-05, International Members No. 19-05, Pension Members No. 28-05, Tax Members No. 14-05 and Transfer Agent Advisory Committee No. 29-05, dated June 7, 2005. ² • revisions to Circular 230 regarding practice before the IRS relating to State and local bond opinions and various general practice (nonshelter) matters; • guidance addressing the accrual of interest on nonperforming loans; • final regulations on notional principal contracts; and • guidance under section 382, including regulations revising section 1.382-10T regarding the treatment of certain distributions from qualified trusts. Education Savings Items • regulations under section 529 regarding qualified tuition programs. Retirement Savings Items • final regulations setting forth the definition and requirements for a designated Roth contribution to a section 401(k) plan; • final regulations under section 403(b); and • a revenue procedure implementing the staggered remedial amendment procedures for determination letters. The 2005-2006 Priority Guidance Plan also includes numerous other projects that relate to funds, fund shareholders, unit investment trusts, and retirement and education savings. These projects include: Items of Interest to Funds and Fund Shareholders • guidance regarding dividend-equivalent redemptions of corporate stock; • guidance under section 355; • final regulations under section 358 regarding allocation of basis; • final regulations under section 263(g); • guidance regarding interest-only REMIC

regular interests; • final regulations regarding accruals for certain REMIC regular interests; • guidance under section 1256(g) regarding foreign currency contracts; • guidance under section 1286(f) regarding treatment of stripped interests in bond and preferred stock funds; 3 • guidance on the taxation of variable contracts; • guidance on securities lending; • guidance under section 1441; • regulations under section 901; • regulations under section 482; • guidance under treaties; • guidance on cross-border information reporting issues; • final regulations under section 707 regarding disguised sales; • guidance regarding the application of the American Jobs Creation Act to tax shelters; and • guidance necessary to facilitate electronic tax administration. Unit Investment Trust Items • final regulations under section 671 regarding the reporting requirements for widely- held fixed investment trusts. Retirement Savings Items • guidance on tax treatment of Roth retirement plan distributions; • guidance on phased retirement arrangements; • guidance on electronic communications; • guidance regarding the employee plans compliance resolution system (“EPCRS”); • guidance on abusive arrangements under section 401(a)(4); • final regulations under section 410(b) regarding the exclusion of employees of section 501(c)(3) organizations; • guidance under section 411 regarding accrual and vesting of benefits; • guidance under section 414(q); • final regulations under section 415; and 4 • final regulations under section 417 on the relative value of optional forms of benefit. Education Savings Items • notice addressing issues, including frequently asked questions, regarding information reporting requirements for qualified tuition programs and related expenses. Lisa Robinson Associate Counsel Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 19083, or call the ICI Library at (202) 326-8304 and request the attachment for memo 19083.