

MEMO# 9877

April 29, 1998

INSTITUTE LETTER TO TREASURY ON PREFERENTIAL DIVIDENDS

1 See Institute Memoranda to Accounting/Treasurers Committee No. 30-96 and Tax Committee No. 27-96, dated July 25, 1996, to Accounting/Treasurers Committee No. 47-96 and Tax Committee No. 36-96, dated November 26, 1996, and to Accounting/Treasurers Committee No. 8-97 and Tax Committee No. 10-97, dated March 14, 1997. [9877] April 29, 1998 TO: TAX COMMITTEE No. 17-98 RE: INSTITUTE LETTER TO TREASURY ON PREFERENTIAL DIVIDENDS

_____ The Institute submitted the attached letter to the Treasury Department regarding the Institute's request for published guidance setting forth "safe harbor" circumstances under which expenses in multiple-class mutual funds may be waived or reimbursed without raising potential preferential dividend concerns.¹ As you may recall, the Institute's proposal would provide consistent securities and tax law treatment of waivers and reimbursements. A project to issue guidance on multiple-class fund waivers and reimbursements has been included on both the 1997 and 1998 Treasury/IRS business plans. The letter urges the prompt issuance of guidance embodying the Institute's proposal on waivers and reimbursements and states that the lack of guidance continues to present a substantial problem for the industry. The letter also states that closure will be brought to this issue only if the securities and tax laws treat waivers and reimbursements consistently. Anne M. Barr Associate Counsel
Attachment