

MEMO# 16480

September 2, 2003

SUPPLEMENTAL INSTITUTE COMMENTS ON PROPOSED REGULATIONS ON THE CAPITALIZATION OF INTANGIBLE ASSETS

[16480] September 2, 2003 TO: ACCOUNTING/TREASURERS MEMBERS No. 37-03 ADVISER DISTRIBUTOR TAX ISSUES TASK FORCE No. 18-03 TAX MEMBERS No. 47-03 RE: SUPPLEMENTAL INSTITUTE COMMENTS ON PROPOSED REGULATIONS ON THE CAPITALIZATION OF INTANGIBLE ASSETS Attached are supplemental comments the Institute has submitted to Treasury and the IRS regarding the proposed regulations on the capitalization of intangible assets. This letter follows up on the Institute's comments that were submitted in March¹ and a meeting we had with Treasury and IRS officials this summer to discuss those comments. The supplemental comments articulate our support for expanding the provision in the proposed regulations, which allows employee compensation to be deducted, to include contract administrative and technical employees (provided the contract employees do not work predominantly on intangible asset transactions). In addition, the letter highlights certain technical issues that, if not addressed, could leave the regulations open to a broad interpretation under which certain costs that should be deductible could be required to be capitalized. The letter urges Treasury to resolve these technical issues to prevent the issues that would arise under such a broad interpretation. David Orlin Assistant Counsel 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 16480, or call the ICI Library at (202) 326-8304 and request the attachment for memo 16480. Attachment (in .pdf format) 1 See Institute Memorandum to Accounting/ Treasurers Members No. 16-03, Advisor-Distributor Tax Issues Task Force No. 6-03, and Tax Members No. 18-03 (No. 15761), dated March 19, 2003.