

MEMO# 18826

June 7, 2005

INSTITUTE REQUESTS CLARIFICATIONS WITH RESPECT TO IRS INFORMATION REQUESTS REGARDING MUNICIPAL BONDS

© 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. [18826] June 7, 2005 TO: FIXED-INCOME ADVISORY COMMITTEE No. 12-05 MONEY MARKET FUNDS ADVISORY COMMITTEE No. 10-05 TAX MEMBERS No. 15-05 RE: INSTITUTE REQUESTS CLARIFICATIONS WITH RESPECT TO IRS INFORMATION REQUESTS REGARDING MUNICIPAL BONDS The Institute has submitted the attached letter requesting clarifications with respect to IRS information requests regarding municipal bonds held by funds. The IRS is interested in improving these information requests so that funds know, for example, the specific purpose of the inquiry and whether the IRS believes that the bond may be taxable. Under one possible approach, the requests would be color-coded, where: "Green" might indicate a general request for information, i.e., there is no current belief that the specific bond or similar bonds of that type are likely to be taxable; "Yellow" might indicate that the request relates to a bond that is similar to a type of bond that has been determined to be, or may be, taxable, although the particular bond in the fund's portfolio may not be taxable; and "Red" might indicate that the IRS has concerns regarding the taxability of the specific bond with respect to which information has been requested. The Institute's letter supports a color-coding system or some similar method of providing additional information to recipients of IRS information requests regarding municipal bonds. The letter also expresses our interest in maintaining an ongoing dialogue with the IRS regarding the regulation of municipal bonds. 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 18826, or call the ICI Library at (202) 326-8304 and request the attachment for memo 18826.

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