

MEMO# 4676

April 7, 1993

PENNSYLVANIA HOUSE AND SENATE INTRODUCE BILLS TO PROVIDE PASS THROUGH OF FEDERAL OBLIGATION INTEREST

April 7, 1993 TO: TAX COMMITTEE NO. 20-93 MONEY MARKET MEMBERS - ONE PER
COMPLEX NO. 5-93 RE: PENNSYLVANIA HOUSE AND SENATE INTRODUCE BILLS TO PROVIDE
PASS THROUGH OF FEDERAL OBLIGATION INTEREST

_____ The Pennsylvania House and Senate have introduced identical bills (attached) which effectively would prohibit Pennsylvania from imposing its personal income tax on regulated investment company dividends derived from interest on federal obligations. As you know, Pennsylvania is the last state to impose such a tax. The Institute also has requested that the state Department of Revenue eliminate the tax through administrative action. (See Institute Memorandum to Tax Committee No. 48-92, Board of Governors No. 94-92 and Money Market Members - One Per Complex No. 24-92, dated December 23, 1992.) In addition, the bill would exempt from the personal income tax the portion of the RIC's capital gain distributions derived from gain on federal obligations. We will keep you informed of further developments. David J. Mangefrida Jr. Assistant Counsel - Tax Attachment

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