INVESTMENT COMPANY INSTITUTE

MEMO# 2970

July 31, 1991

PROPOSED 14-YEAR AMORTIZATION FOR INVESTMENT MANAGEMENT CONTRACTS AND OTHER INTANGIBLE ASSETS

July 31, 1991 TO: MEMBERS - ONE PER COMPLEX NO. 32-91 TAX MEMBERS NO. 32-91 ACCOUNTING/TREASURERS MEMBERS NO. 20-91 RE: PROPOSED 14-YEAR AMORTIZATION FOR INVESTMENT MANAGEMENT CONTRACTS AND OTHER INTANGIBLE ASSETS ____ The attached bill has been introduced by Chairman Rostenkowski of the House Ways and Means Committee to require that the purchase price for certain intangible assets acquired from another party be amortized over a uniform 14-year period. The bill does not change the tax treatment of costs incurred in the creation of intangible assets by a taxpayer, such as advertising expenses. Among the acquired intangible assets subject to the 14-year amortization period proposed under the bill are goodwill, going concern value and various customer-based intangibles, such as investment management contracts. The acquisition costs for some of these assets are not currently amortizable. Where amortization is permitted under current law, the amortization period is based on a factual determination of the asset's useful life and can, therefore, become a subject of dispute between taxpayers and the IRS. The bill would apply only prospectively, to intangible assets acquired after the date of the bill's enactment. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment KDL:bmb

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