

MEMO# 2853

June 19, 1991

INSTITUTE TESTIMONY ON PENNSYLVANIA PASS-THROUGH LEGISLATION

June 19, 1991 TO: TAX COMMITTEE NO. 18-91 RE: INSTITUTE TESTIMONY ON PENNSYLVANIA PASS-THROUGH LEGISLATION _____ As

we previously informed you, a bill to permit funds to "pass through" federal obligation interest free of state tax has been introduced in the Pennsylvania Senate by the Chairman of its Finance Committee. (See Institute Memorandum to Tax Committee No. 13-91, dated May 24, 1991). Attached is testimony given by the Institute in support of the bill at a Pennsylvania Senate Finance Committee hearing. The testimony mentions certain proposed amendments to the bill (also attached) that would ease the complexity of computing the exempt portion of the fund's income and gain and the shareholder's gain on redemption of fund shares. Specifically, the amendments would (1) determine separately the exempt portion of income distributions and gain distributions based upon the source of that income and gain and (2) calculate the portion of a shareholder's redemption proceeds exempt from tax using a "tax-exempt ratio" based upon the percentage of the fund's assets in exempt obligations at the end of each fiscal quarter ending with the calendar year of the redemption. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachments

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