

MEMO# 4407

January 13, 1993

MISSOURI REISSUES REGULATIONS REMOVING ASSET THRESHOLD FOR PASS-THROUGH TREATMENT

January 13, 1993 TO: TAX COMMITTEE NO. 3-93 MONEY MARKET MEMBERS - ONE PER
COMPLEX NO. 1-93 RE: MISSOURI REISSUES REGULATIONS REMOVING ASSET THRESHOLD
FOR PASS-THROUGH TREATMENT

As we recently informed you, Missouri has repropounded regulations previously issued in two parts concerning the reporting requirements applicable to dividends of regulated investment company ("RIC") dividends derived from interest on federal obligations. (See Institute Memorandum to Tax Committee No. 49-92 and to Money Market Members - One Per Complex No. 25- 92, dated December 31, 1992.) The proposed regulations provide that a taxpayer may show the amount of RIC dividends exempt from Missouri income tax by attaching to his or her state income tax return a document from the RIC containing either (1) a breakdown, by issuer, of the percentage of the RIC's assets invested in obligations the interest on which is exempt from Missouri income tax or (2) the percentage of dividends attributable to interest which is exempt from Missouri income tax. The proposed amendment also would eliminate the current requirement that 50 percent of the RIC's assets be invested in federal obligations for a RIC to pay dividends exempt from Missouri income tax. The proposed regulation has also been issued as a Temporary Regulation, and is effective from January 1, 1993 through April 30, 1993, with respect to returns filed during that period. The application of the effective date of the temporary regulations to RICs for calendar year 1992 had been unclear. The Institute has spoken informally with the Missouri Department of Revenue, which has confirmed that the regulation applies to Missouri returns filed in 1993 with respect to RIC activities for calendar year 1992. Thus, the 50 percent of assets threshold requirement described above does not apply to RICs with respect to calendar year 1992. David J. Mangefrida Jr. Assistant Counsel - Tax