

MEMO# 2560

February 22, 1991

IRS NOTICE ON CONTINGENT INSTRUMENTS

February 22, 1991 TO: TAX MEMBERS NO. 5-91 ACCOUNTING/TREASURERS MEMBERS NO. 6-91 RE: IRS NOTICE ON CONTINGENT INSTRUMENTS

The attached IRS Notice states that the IRS will soon issue proposed regulations regarding debt instruments that provide for contingent payments, such as payments which depend upon the performance of an index of publicly traded stock. The effect of these amendments to section 1.1275-4 of the proposed regulations will be to divide debt instruments of this type into their component parts and tax each component as it would have been taxed had it been issued as a separate instrument. The amendments will be proposed to be effective for debt instruments issued on or after February 20, 1991. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment KDL:bmb

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