

**MEMO# 2080**

August 1, 1990

## **SECURITIES TRANSACTION EXCISE TAX (STET)**

August 1, 1990 TO: MEMBERS - ONE PER COMPLEX NO. 29-90 RE: SECURITIES  
TRANSACTION EXCISE TAX (STET) \_\_\_\_\_

As you know, Administration and Congressional leaders have been meeting to develop a budget agreement aimed at reducing the federal deficit. One of the revenue-raising measures under very serious consideration is the imposition of a securities transaction excise tax (STET). While details are unavailable, a STET could be imposed both on the purchase and redemption of mutual fund shares and on transactions in fund portfolio securities. Moreover, a STET could be imposed on securities transactions involving all types of mutual funds, including money market funds. In 1987, the Institute testified before the House Ways and Means Committee in opposition to imposition of the STET because of its likely harm to the U.S. securities markets and its particularly adverse impact on investment companies (Attachment A). More recently, on July 16, 1990, the Institute joined with a number of other associations in submitting a letter (Attachment B) to Administration and Congressional officials in opposition to imposition of a STET. You may wish to express your views about the STET and its impact on your fund organization directly to the budget conferees and the tax committees. Attachment C lists their names and addresses. If you have any questions or comments, please do not hesitate to call me or Julie Domenick. We will keep you advised of further developments. Matthew P. Fink Senior Vice President and General Counsel