

**MEMO# 3089**

September 12, 1991

# **INSTITUTE TESTIMONY BEFORE SENATE FINANCE SUBCOMMITTEE ON REPEAL OF THE 30 PERCENT TEST**

September 12, 1991 TO: BOARD OF GOVERNORS NO. 70-91 TAX MEMBERS NO. 37-91  
ACCOUNTING/TREASURERS MEMBERS NO. 24-91 RE: INSTITUTE TESTIMONY BEFORE  
SENATE FINANCE SUBCOMMITTEE ON REPEAL OF THE 30 PERCENT TEST

\_\_\_\_\_ The Institute testified today before the Senate Finance Committee's Subcommittee on Taxation on S.530, a bill to repeal the 30 percent test of section 851(b)(3) of the Internal Revenue Code. Attached are both the oral and written testimony, which express the Institute's strong support for repeal of the 30 percent test. S.530 would advance the goal of tax simplification in several ways. First, mutual fund portfolio managers would not be forced to engage in tax-motivated transactions, inconsistent with the best interests of fund shareholders, in order to ensure compliance with section 851(b)(3). Second, repeal of the 30 percent test would provide the typically moderate-income mutual fund investor with tax treatment comparable to that provided to the more wealthy, direct investor who can invest without regard to the restraints of the 30 percent test. Finally, the legal complexities and administrative burdens imposed on mutual funds would be reduced if the 30 percent test were repealed, because the associated recordkeeping and compliance monitoring requirements would be eliminated. We will keep you informed of developments. Keith D. Lawson Associate Counsel  
- Tax Attachment KDL:bmb

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.