

September 28, 2010

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-232, US Capitol
Washington, DC 20515

The Honorable John Boehner
Republican Leader
United States House of Representatives
H-204, US Capitol
Washington, DC 20515

RE: [ICI Strongly Supports Mutual Fund Modernization Legislation](#)

Dear Speaker Pelosi and Republican Leader Boehner:

The Investment Company Institute¹ strongly supports the bipartisan Regulated Investment Company (“RIC”) Modernization Act (H.R. 4337). On behalf of the millions of mutual fund shareholders who would benefit from this bill, we urge all House members to vote favorably on this bill when it is considered on the Suspension Calendar.

This bill would modernize the tax laws that govern mutual funds. These laws have not been updated in any meaningful or comprehensive way since 1986, almost a quarter century ago; some of the provisions in current law date back more than 60 years. Numerous developments during the past 20-plus years—including the development of new fund structures and distribution channels—have placed considerable stress on the currently-applicable tax rules.

The legislation’s many benefits were discussed in detail during the bill’s June 2010 hearing before the Committee on Ways and Means Select Revenue Measures Subcommittee. The three key areas in which the bill would benefit funds and their shareholders involve:

- improving the efficiency of mutual fund investment structures,
- reducing disproportionate tax consequences for inadvertent errors, and
- minimizing the need for amended tax statements and amended tax returns.

¹ The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$11.66 trillion and serve almost 90 million shareholders.

As discussed in detail in our testimony before the Subcommittee, the bill would reduce the burden arising from amended year-end tax information statements, improve a fund's ability to meet its distribution requirements, create remedies for inadvertent mutual fund qualification failures, improve the tax treatment of investing in a "fund-of-funds" structure, and update the tax treatment of fund capital losses.

This bill reflects the sponsors' conclusion, with which we strongly agree, that it is important to update, clarify, and streamline the mutual fund tax rules. By eliminating uncertainties and allowing appropriate innovations, funds will become more efficient. The ICI supports the pay-fors included in H.R. 4337, which apply to regulated investment companies and fully offset the modest revenue costs of the legislation.

Enacting this legislation will allow our members to focus on what they do best—serving their shareholders.

We urge your support.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Schott Stevens". The signature is fluid and cursive, with a large initial "P" and a long horizontal stroke at the end.

Paul Schott Stevens
President and Chief Executive Officer

cc: All Members of the House of Representatives, 111th Congress