Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
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Date:
September 21, 2006

Legend:

Fund A =

Fund B =

Fund C =

Fund D =

Fund E =

Fund F =

Year 1 =

Year 2 =

Year 3 =

Dear :

This ruling responds to a request dated June 6, 2006, submitted on behalf of Funds A, B, C, D, E and F (collectively, the "Funds") by their authorized representative. Each Fund requests consent to revoke, for calendar Year 1 and subsequent calendar years, a previous election made by that Fund under § 4982(e)(4)(A) of the Internal Revenue Code ("Code"). Additionally, the Funds request that the calculation of each of their required distributions of capital gain net income under §§ 4982(b)(1)(B) and (e)(2) for the calendar year ended December 31, Year 1, be determined on the basis of capital gains and losses and foreign currency gains and losses realized and recognized during the ten-month period from January 1, Year 1, through October 31, Year 1.

FACTS

Fund A is a closed-end management investment company, registered under the Investment Company Act of 1940 (the "1940 Act"). Funds B, C, D, E and F are open-end management investment companies, registered under the 1940 Act. Each Fund has elected to be a regulated investment company ("RIC") for federal income tax purposes under § 851 of the Code.

The Funds use an accrual method of accounting and a calendar year for tax and financial accounting purposes. More than five years ago, each Fund elected under § 4982(e)(4)(A) to use its taxable year in lieu of the one-year period ending on October 31, for purposes of calculating the required distribution under §§ 4982(b)(1)(B), 4982(e)(2) and 4982(e)(5).

At the time the Funds originally made their respective elections, each believed that the election under § 4982 would relieve the administrative burdens associated with dual calculations of capital gains and losses under the excise tax and Subchapter M provisions. However, the Funds' experience has been that the § 4982(e)(4)(A) election has created additional administrative complexities primarily due to time constraints in declaring required excise tax distributions.

Moreover, the promulgation of regulations coordinating the excise tax and Subchapter M provisions has greatly reduced the administrative burden of having a taxable year different from the period used for determining the required distributions under § 4982. Accordingly, the Funds seek consent to revoke their elections to use the calendar year for purposes of §§ 4982(b)(1)(B) and 4982(e)(2).

Permitting the Funds to revoke their § 4982(e)(4)(A) elections and compute capital gain net income for the tax year on October 31, rather than December 31, would significantly lessen the administrative burden of computing capital gain net income in an accurate and timely manner. Additionally, each of the Funds represents that:

1. The desire to revoke its § 4982(e)(4)(A) election is due to administrative and non-tax related financial burdens caused by the elections.

2. It is not seeking to revoke its election for the purpose of preserving or securing a tax benefit.

3. It will neither benefit through hindsight nor prejudice the interests of the government as a result of being permitted to revoke its election.

4. It will not make any subsequent elections under § 4982(e)(4)(A) for five (5) calendar years following the year of the grant of revocation.

LAW AND ANALYSIS

Section 4982(a), which was enacted as part of the Tax Reform Act of 1986 and is effective for tax years beginning after December 31, 1986, imposes an excise tax on every RIC for each calendar year equal to four percent of the excess, if any, of the “required distribution” over the “distributed amount” for the calendar year.

Section 4982(b)(1) defines the term “required distribution” to mean, with respect to any calendar year, the sum of 98 percent of the RIC’s ordinary income for such calendar year, plus 98 percent of its capital gain net income for the one-year period ending on October 31 of such calendar year.

Section 4982(e)(4)(A) provides that if the tax year of a RIC ends with the month of November or December, the RIC may elect to have its capital gain net income for its tax year applied in lieu of the one-year period ending on October 31 of the calendar year for purposes of satisfying the required distribution defined in § 4982(b)(1). Section

4982(e)(4)(B) provides that, once made, such election may be revoked only with the consent of the Secretary.

Section 4982(e)(5) provides that any foreign currency gain or loss attributable to a § 988 transaction and which is properly taken into account for the portion of the calendar year after October 31 shall not be taken into account in determining the ordinary income of the RIC for the calendar year but shall be taken into account in determining the RIC's ordinary income in the following calendar year. However, if a RIC has made an election under § 4982(e)(4), the preceding sentence shall be applied by substituting the last day of the RIC's taxable year for October 31.

Based upon the information submitted and the representations made, we conclude that each Fund's desire to revoke its election under § 4982(e)(4)(A) is because of administrative burdens and not because of any federal tax-related financial burden caused by the election. The Funds do not seek to revoke their elections for the purpose of preserving or securing a federal tax benefit. Additionally, the Funds will neither benefit through hindsight nor prejudice the interest of the government as a result of being permitted to revoke their elections.

CONCLUSION

Accordingly, based upon the representations made and pursuant to § 4982(e)(4)(B), the Secretary consents to the revocation of the elections made by the Funds under § 4982(e)(4)(A), effective for calendar Year 1 and subsequent years. In addition, in calculating the "required distribution" for calendar Year 1, for purposes of §§ 4982(b)(1) and (e), the capital gain net income and foreign currency gains and losses of the Funds will be determined on the basis of the capital gains and losses and foreign currency gains and losses recognized and realized during the 10-month period from January 1, Year 1, through October 31, Year 1.

As a condition of the Secretary's consent to the revocation pursuant to § 4982(e)(4)(B), none of the Funds may make a subsequent election under § 4982(e)(4)(A) for a period of five (5) calendar years following the year to which the grant of revocation applies (i.e. Year 2 through Year 3).

Except as specifically ruled upon above, no opinion is expressed or implied as to any other federal excise or income tax consequences.

This ruling is directed only to the taxpayers requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

It is important that a copy of this letter be attached to the federal income and excise tax return filed by each of the Funds for the year to which this ruling applies.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely yours,

/s/

Elizabeth A. Handler
Chief, Branch 1
Office of Associate Chief Counsel
(Financial Institutions and Products)

Enclosures:
Copy of this letter
Copy for § 6110 purposes

cc: