## Rev. Proc. 96–47

### SECTION 1. PURPOSE

This revenue procedure describes conditions under which distributions made to shareholders of a regulated investment company (RIC) may vary and nevertheless be deductible as dividends under § 562 of the Internal Revenue Code.

### SECTION 2. BACKGROUND

.01 Section 852(b)(2)(D) allows a RIC a deduction for dividends paid (as defined in § 561 with certain modifications). Section 561 defines the deduction for dividends paid and applies the rules of § 562 to determine which dividends are eligible for the deduction for dividends paid. Section 562(c) provides that the amount of any distribution is not considered a dividend for purposes of computing the dividends paid deduction under § 561 unless the distribution is pro rata, does not prefer any share of stock of a class over any other share of stock of that same class, and does not prefer one class of stock over another class except to the extent that one class is entitled (without reference to waivers of their rights by shareholders) to the preference.

.02 Many RICs have issued groups of shares that represent interests in the same portfolio of securities but have different arrangements for shareholder services or the distribution of shares or both. Because the fees for these arrangements and services may vary, shareholders with equivalent investments in the same fund may receive different distributions. To permit open-end management investment companies to issue these groups of shares, the Securities and Exchange Commission (SEC) has adopted¬ Rule¬ 18f–3,¬ 17¬ C.F.R. 270.18f–3, under the Investment Company Act of 1940, 15 U.S.C. 80a–1 to –64 (1940 Act).

### SECTION 3. SCOPE

This revenue procedure applies to a corporation that meets all of the following requirements:

.01 The corporation is described in § 851(a) and § 851(b)(1).

.02 Groups of shares of the corporation have different arrangements for shareholder services or the distribution of shares or both (Qualified Groups). Expenses related to these arrangements are allocated to the Qualified Group of shares on behalf of which the expenses were incurred. The requirements in this subsection are to be interpreted in a manner consistent with the SEC's interpretation of analogous requirements in the rules under the 1940 Act. Thus, to determine whether groups of shares have different arrangements for shareholder services or the distribution of shares, see Rule 18f–3(a)(1)(i), 17 CFR 270.18f–3(a)(1)(i), and *Exemptions for Open End Management Investment Companies Issuing Multiple Classes of Shares*, Investment Company Act Release No. 20,915, 60 Fed. Reg. 11,876 at 11,878 (Mar. 2, 1995).

.03 Advisory fees and other expenses related to the management of the corporation's assets (including custodial fees and tax-return preparation fees) are allocated to all shares by net asset value, regardless of Qualified Group.

.04 Expenses other than those described in section 3.02 and 3.03 (for example, transfer agency fees) that are incurred on behalf of one or more Qualified Groups in a different amount or at a different rate from the amount or rate at which the expense is incurred on behalf of one or more other Qualified Groups are allocated either by net asset value, regardless of Qualified Group, or on the basis of the amount incurred on behalf of each Qualified Group.

.05 The rights and obligations of the shareholders of each Qualified Group are fixed in the corporation's organizing documents. Except as otherwise provided in this revenue procedure, each Qualified Group is entitled to distributions calculated under those documents in the same manner and at the same time as all other Qualified Groups. For purposes of this calculation, expenses are allocated under those documents to each Qualified Group at the same time as to all other Qualified Groups.

.06 Each Qualified Group separately meets the requirements of § 67(c)(2)(B) (defining the required characteristics of shares of a publicly offered RIC).

### SECTION 4. PROCEDURE

If variations in distributions to shareholders of different Qualified Groups exist solely as a result of the allocation of expenses in accordance with the applicable provisions of section 3 of this revenue procedure, those variations do not prevent the distributions from being dividends under § 562.

### SECTION 5. EFFECTIVE DATE

This revenue procedure is effective September 6, 1996.

DRAFTING INFORMATION

The principal author of this revenue procedure is Arnold Golub of the Office of Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue procedure, contact Mr. Golub at (202) 622–3950 (not a toll-free call).