

[DOR Home](#)
[For Individuals and Families](#)
[For Businesses](#)
[For Local Officials](#)
[For Tax Professionals](#)

[Home](#) > [Businesses](#) > [Help & Resources](#) > [Legal Library](#) > [Directives](#) > [Directives - By Decade](#) > [\(1980-1989\) Directives](#) >

Directive 86-20: Mutual Funds Purchased Through A Bank

Facts: Taxpayer Cooper has a savings account in Money Bank, a bank located in Massachusetts. Money Bank also offers mutual funds to the public through its affiliated regulated investment company, which makes an election pursuant to section 851 of the Internal Revenue Code. In addition to the savings account, Taxpayer Cooper invests \$5,000 in one of the funds. For the current taxable year, Cooper receives interest earned on the savings account and dividend distributions from the mutual fund reflecting interest earned on his investment.

Issue: Are the dividend distributions from the mutual fund included in Taxpayer Cooper's Part A or Part B income?

Discussion: Massachusetts gross income is divided into two classes, Part A and Part B gross income. G.L. c. 62, § 2(b). Part A income includes interest, dividends and net capital gains other than interest and dividends from savings deposits or accounts in banks located within the Commonwealth. G.L. c. 62, § 2(b)(1). Part B income is all other income subject to taxation. G.L. c. 62, § 2(b)(2).

As stated above, the only taxable interest included in Part B income is interest earned on a savings account in a Massachusetts bank. All other taxable interest or dividend distributions received from the variety of investment vehicles offered by a bank are included in Part A income.

An investment in a mutual fund, even though it may be purchased through a bank, is not a savings deposit or account. Consequently, dividend distributions reflecting interest earned on an investment in a mutual fund purchased from a Massachusetts bank are Part A income, taxed at 10%.

Directive: Taxpayer Cooper must include the dividend distributions reflecting interest earned on his investment in the bank's mutual fund in his Part A income, taxed at 10%.

The facts presented in this Directive are different from the facts in TIR 85-4. This Directive in no way affects the validity and application of TIR 85-4.

Reference: G.L. c. 62, § 2(b).

/s/Ira A. Jackson

Ira A. Jackson

Commissioner of Revenue

20 August 1986

SEARCH

Select an area to search

Search

DOR-D 86-20

This Directive represents the official position of the Department of Revenue on the application of the law to the facts as stated. The Department and its personnel will follow this Directive, and taxpayers may rely upon it, unless it is revoked or modified pursuant to 830 CMR § 62C.01(5)(e). In applying this Directive, however, the effect of subsequent legislation, regulations, court decisions, Directives, and TIRs must be considered, and Department personnel and taxpayers may rely upon this Directive only if the facts, circumstances and issues presented in other cases are substantially the same as those set forth in this Directive.