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Letter Ruling 77-4: Distributions from a Regulated Investment Company: Effect on Basis of Shares

February 18, 1977

You state that in 1976 you sold 444.087 shares of *****. The gross sales price was \$2,380 and your cost basis for federal tax purposes \$4,307. The federal basis of your shares was increased by \$98 in 1968 and \$90 in 1969 through the reporting of capital gain distributions by the fund. During this period you were a resident of New York and reported said capital gain distributions on your New York tax return.

Prior to January 1, 1971, Massachusetts law treated a capital gain distribution of a regulated investment company as a non-taxable dividend where there was an option to receive the distribution in cash or stock and the distribution was actually received in stock. Present law requires an adjustment to basis where such non-taxable dividends were received.

This provision would not be applicable in your situation since you did not receive a non-taxable dividend as defined in our statute. The basis of your shares would be the federal basis or \$4,307.

Very truly yours,

/s/Owen L. Clarke

Owen L. Clarke
Commissioner of Corporations
and Taxation

LR 77-4

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