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[For Businesses](#)
[For Local Officials](#)
[For Tax Professionals](#)

[Home](#) > [Businesses](#) > [Help & Resources](#) > [Legal Library](#) > [Letter Rulings](#) > [Letter Rulings - By Year\(s\)](#) > [1984 and Prior](#) > [1978 Rulings](#) >

Letter Ruling 78-3: Unit Investment Trust

January 26, 1978

In your letter of December 16, 1977, hereby incorporated by reference, you request certain rulings relative to the taxation of the Trust under Massachusetts law.

The Trust will be a unit investment trust created under the laws of the State of New York pursuant to a Trust Agreement (the "Agreement") among ***** (the "Sponsor"), ***** (the "Trustee"), ***** New York, and ***** (the "Evaluator"), ***** New York. The principal offices of the Trust will be located at ***** New York, and the Trust will have no office within the Commonwealth of Massachusetts.

New York Counsel for the Sponsor will render an opinion that for Federal income tax purposes the Trust in substance is taxable as a "grantor" trust (Sections 671 through 676 of the Internal Revenue Code of 1954, as amended).

The objectives of the Trust are to provide investors with interest income exempt from Federal income taxation and to preserve capital through investment in a portfolio of tax exempt securities. The Trust will consist of interest-bearing debt obligations of the Commonwealth of Massachusetts, its political subdivisions, municipalities, and public authorities, and of the Commonwealth of Puerto Rico and its public authorities. All income of the Trust (excluding any capital gains) will consist of the interest (including any original issue discount) on such debt obligations.

Ownership of Units will be evidenced by registered Certificates executed by the Trustee and the Sponsor. A total of 10,000 Units representing fractional undivided interests in the \$10,000,000 principal amount of Bonds and net income of the Trust are being offered. The face of each Certificate will state: "This Certificate is transferable and interchangeable by the registered holder in person or by his duly authorized attorney."

The Sponsor intends to maintain a secondary market for the Units at prices based on the aggregate offering price of the Bonds in the Trust. Any Units so repurchased by the Sponsor in the secondary market may be reoffered at the then current Public Offering Price including a 4½% sales charge. If such a secondary market is not maintained, a Certificateholder may tender his Certificates to the Trustee for redemption at prices based upon the bid prices of the underlying Bonds.

At the time the Trust is organized, the Sponsor will deposit with the Trustee contracts for the purchase of the purchase of the Bonds together with an irrevocable letter of credit issued by a major

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commercial bank sufficient to cover the amount required for the purchases and the Trustee will deliver to the Sponsor the Certificates evidencing the ownership of the Units. The Trust itself will sell Units only to the Sponsor outside the Commonwealth of Massachusetts and will make no sales either to underwriters or investors. The Sponsor will sell the Units to other underwriters, some of whom may have offices in Massachusetts. The underwriters will sell directly to investors and also to other broker-dealers who, in turn, will sell directly to investors. The Sponsor will not sell directly to investors. In the event that the Sponsor and other underwriters are unable to sell all the Units acquired by them, they will be required to retain any unsold Units.

The assets of the Trust will be held by the Trustee, who will collect the interest on the bonds as it becomes payable and, after the payment of the Trust's expenses, distribute it periodically to the Certificateholders.

Based on the foregoing it is ruled:

1. For Massachusetts income tax purposes, the Trust will be treated as a corporate trust as defined in M.G.L. c. 62, s. 1 and taxed under M.G.L. c. 62, s. 8, and not as a grantor trust under M.G.L. c. 62, s. 10(e).

2. Neither (a) the Trust's purchase of Massachusetts municipal bonds outside of Massachusetts nor (b) the Trust's sales of Units outside Massachusetts to the Sponsor and the subsequent resales to other underwriters or broker-dealers located within and outside Massachusetts by the Sponsor as Managing Underwriter and the sales by such Massachusetts or other underwriters or broker-dealers to Massachusetts residents nor (c) the Trust's holding and collection of interest from such Bonds constitute the engaging in any business, activity, or transaction within Massachusetts by the Trust, within the meaning of M.G.L. c. 62, s. 8(a); and, therefore, the Trust will not be subject to liability for any Massachusetts income tax.

3. Certificateholders who are subject to Massachusetts income taxation under M.G.L. c. 62 will not be required to include their share of the earnings of or distributions from the Trust in their Massachusetts gross income to the extent that such earnings or distributions represent tax-exempt interest for Federal income tax purposes earned by the Trust on obligations issued by Massachusetts or Puerto Rico issuers.

4. The Trust's capital gains and/or capital losses will be included in the Federal gross income of Certificateholders who are subject to Massachusetts income taxation under M.G.L. c. 62 and such gains and/or losses will be included as capital gains and/or losses in the Certificateholders' Massachusetts gross income, except where capital gain is specifically exempted from income taxation under the Act authorizing issuance of said obligations.

Nothing in these rulings is to be construed as exempting from Massachusetts tax the Sponsor, underwriters or broker-dealers who may be doing business in the Commonwealth.

Very truly yours,

/s/Laurence D. Fitzmaurice

Laurence D. Fitzmaurice
Commissioner of Corporations
and Taxation

LR 78-3