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Letter Ruling 79-4: Unit Investment Trust

March 20, 1979

In your letter of February 23, 1979 you state that your client, ***** a bank with its principal place of business in Boston, Massachusetts, has been asked by ***** ("Sponsor"), an investment broker-dealer with its principal offices in New York, New York to serve as trustee of the ***** ("Trust"), a municipal bond fund pursuant to a trust agreement to hold bonds, the income of which is excludible from gross income for federal income tax purposes.

The bonds (or purchase contracts for same, plus cash) would be transferred to the trustee by the Sponsor in return for all issuable Units of the Trust, which the Sponsor then intends to resell in an initial underwriting to the public in compliance with applicable securities regulations. Transferable certificates would be issued for the Units. The Sponsor expects to sell less than ten percent of the Units in the underwriting to Massachusetts residents. Thereafter, no further Units will be issued, and the Trust will dispose of any bonds only at maturity (except as might be dictated by adverse circumstances or if needed in order to redeem any Units tendered for redemption if the Sponsor fails to maintain a market). No further bonds will be purchased. Accordingly, the Trust will be a passive, self-liquidating investment vehicle.

The trustee would perform custodial, transfer and disbursement agency, recordkeeping, and reporting duties for the Trust. The trustee would have little or no discretion in the performance of its duties; in such event as default by a bond obligator, it would be required to act as directed by the Sponsor. The Sponsor's principal offices are located outside of the Commonwealth, and it maintains no branch here. The Trust will have no tangible property, no payroll, and no sales, as defined in General Laws Chapter 63, Section 38, either within or outside of Massachusetts.

You inquire as to the Massachusetts tax consequences. Based on the foregoing, it is ruled:

1. The Trust will be a "corporate trust" as defined in General Laws Chapter 62, Section 1(j), taxable in accordance with Section 8 thereof. It will not be treated as a grantor trust under General Laws Chapter 62, Section 10(e).
2. The adjusted gross income of the Trust will be apportioned to Massachusetts in proportion to the percentage of all sales of Units in the initial underwriting which are sold to Massachusetts residents, pursuant to General Laws Chapter 62, Section 8(a), and Chapter 63, Sections 38 and 42. If the afore-said percentage of sales is less than ten percent, then under Chapter 62, Section 8(b)(iii) the provisions of Section 8(a) shall not apply to the Trust.

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3. While the Trust is not subject to taxation, by reason of the ruling in paragraph 2, dividends paid on Units of the Trust out of its earnings and profits shall not be exempt from taxation under General Laws Chapter 62.

Very truly yours,

/s/L. Joyce Hampers

L. Joyce Hampers
Commissioner of Revenue

LJH:JJW:FC

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