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Letter Ruling 79-7: Unit Investment Trust

March 29, 1979

Dear Sir:

In your letter of March 22, 1979, you request certain rulings relative to the taxation of the ***** Trust described therein under Massachusetts law.

(the "Fund") is to be created by an agreement between [the] Depositor and [a bank in] ***** New York, as Trustee [Depositor] is a Delaware corporation with its principal offices in Chicago, Illinois, and New York, N.Y. It also has a sales office in Boston and is qualified to do business in Massachusetts as a foreign corporation. ***** the Trustee, is a New York corporation with its principal place of business in New York. The trust agreement will be executed and delivered in New York, and by its terms it is to be governed by the laws of New York. Assets of the Fund will be received in New York by the Trustee which will then issue and sell all the Units to the Underwriter in New York. The Underwriter, as principal and not as agent for the Fund or the Trustee, will then offer the Units for sale for its own account to the public. All the business of the Fund is to be conducted in New York. The assets of the Fund will be located there. Distributions to Certificateholders will be made from New York. The Fund will have no office in Massachusetts.

The Fund consists of three underlying separate unit investment trusts designated as the Massachusetts Trust, the New York and the Pennsylvania Trust respectively. The three trusts are combined under one instrument in order to reduce initial expenses and administrative costs. The Massachusetts Trust will be comprised of a fixed portfolio of interest-bearing obligations issued primarily by or on behalf of the Commonwealth of Massachusetts, its counties, municipalities, authorities and political subdivisions or issued by certain United States territories or possessions, all of which interest will, in the opinion of bond counsel, be exempt under existing law from both federal and Massachusetts income taxes.

Each of the three Trusts will be administered as a distinct entity with separate transferable Certificates of Ownership, expenses, books and records. Certain shared expenses, such as the compensation of the Trustee, are to be allocated by the Trustee among the three Trusts to reflect differences in their administrative and operational cost. Units of the Massachusetts Trust will be offered and sold in Massachusetts by the Underwriter or by brokers and dealers, primarily to residents of Massachusetts, separate from those of the other Trusts. Each Unit of the Massachusetts Trust will represent an undivided interest in the principal and net income of the Massachusetts Trust. Distributions of interest received by the Massachusetts Trust will be made to the holders of Units of the Massachusetts Trust ("Massachusetts Certificateholders") at specified

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intervals. Proceeds of portfolio bonds of the Massachusetts Trust sold or matured will not be reinvested but will be distributed to Massachusetts Certificateholders.

The Units are redeemable at the option of the Certificateholders. Units offered for redemption may be purchased by the Sponsor and resold to the public or tendered for redemption.

Neither the Sponsor nor the Trustee will have authority to alter the Massachusetts Trust portfolio, except that the Sponsor may instruct the Trustee to exchange a portfolio bond in a municipal refinancing plan; the Sponsor may order the sale of a portfolio bond in the face of certain events adversely affecting the value of the bonds; and the Trustee has power to sell portfolio bonds in order to effect redemptions of Units surrendered therefor.

The Trust Agreement may be amended by the Sponsor and the Trustee but only to cure any ambiguity or supplement any defective or inconsistent provision thereof, or make other provisions not adverse to the Certificateholders' interests. However, the Agreement cannot be amended to increase the number of Units or to permit acquisition of bonds other than those initially deposited in the Trust (except for substitution of refunding bonds under limited circumstances). The Massachusetts Trust may be terminated by consent of all Certificateholders when its net worth declines below a specific level.

In the opinion of *****, Chicago counsel for the Sponsor, the Massachusetts Trust will not be an association taxable as a corporation for Federal income tax purposes. Accordingly, the Massachusetts Trust will not be "a regulated investment Company under section eight hundred and fifty-one of the Code" within the meaning of General Laws, Chapter 62, Section 8(b)(i). In counsel's opinion, since each Massachusetts Certificateholder will have the right at any time to revoke his interest in the Massachusetts Trust by having his certificate redeemed, the Massachusetts Trust will be treated for federal income tax purposes as a "grantor trust" under the Internal Revenue Code, Section 676(a).

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 General Laws, Chapter 62, Section 1 and taxed under General Laws, Chapter 62, Section 8, and not as a grantor trust under General Laws, Chapter 62, Section 10(e).

2. Neither (a) the Massachusetts Trust's purchase of Massachusetts municipal bonds outside of Massachusetts, nor (b) the Massachusetts Trust's sales of Units outside Massachusetts to the Sponsor as sole Underwriter and the subsequent resales by the Underwriter to other brokers or dealers located within and outside Massachusetts and the sales by the Underwriter or by such Massachusetts or other brokers or dealers to Massachusetts residents, nor (c) the Massachusetts Trust's holding and collection of interest from such bonds, nor (d) the payment by the Trustee in New York of distributions to Certificateholders in Massachusetts taken separately or in the aggregate, constitute the engaging in any business, activity or transaction within Massachusetts by the Massachusetts Trust, within the meaning of General Laws, Chapter 62, Section 8(a); and, therefore, the Massachusetts Trust will not be subject to liability for any Massachusetts income tax.

3. Certificateholders who are subject to Massachusetts income taxation under General Laws, Chapter 62 will not be required to include dividends received from the Massachusetts Trust in their Massachusetts gross income. Any undistributed earnings of the Massachusetts Trust will not be attributed to the Certificateholders for Massachusetts income tax purposes.

4. The Massachusetts Trust's capital gains and capital losses will be included in the Federal gross income of Certificateholders who are subject to Massachusetts income taxation under General Laws, Chapter 62, and such gains and losses will be included as capital gains and 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 this ruling is to be construed as exempting the Sponsor, underwriters or broker-dealers who may be doing business in the Commonwealth from Massachusetts taxes.

Very truly yours,

/s/L. Joyce Hampers

L. Joyce Hampers
Commissioner of Revenue

LJH:JJW:cr

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