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Letter Ruling 79-32: Unit Investment Trust

September 12, 1979

In your letter of August 23, 1979, you request certain rulings relative to the taxation of the ***** Trust,

The Trust has three corporate Sponsors and one Sponsor which is a general partnership. All of the Sponsors have principal offices in New York City and numerous other offices throughout the United States and overseas. Each of the corporate Sponsors is registered to do business in the Commonwealth as a foreign corporation. The Trustee is a New York corporation with its principal place of business in New York City. The Trust Agreement will be executed and delivered in New York. All activities of the Trust will be conducted in New York, its assets will be located in New York, its distributions to Unitholders will be made from New York. The Trust will have not office in Massachusetts.

The Trust is composed of five separate and distinct trusts ***** , designated respectively as the California Trust A, the Massachusetts Trust A, the Minnesota Trust A, the New York Trust A, and the Pennsylvania Trust A.

The Massachusetts Trust A will be comprised of interest bearing bonds of governmental entities located in Massachusetts and Puerto Rico, 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 five trusts will be administered as a distinct entity with separate certificates, expenses, books and records. Each Unit of the Massachusetts Trust A will represent an undivided fractional interest in the principal and net income of the Massachusetts Trust A. Units which the Sponsors receive as a result of depositing Bonds in the Massachusetts Trust A will be offered and sold only in Massachusetts. Following the initial public offering period, the Sponsors intend to maintain a market for the Units of the Massachusetts Trust A and to offer to purchase the Units at the aggregate offering price of the underlying bonds. Distribution of interest and principal received by the Massachusetts Trust A will be distributed monthly.

The powers of the Trustee to deal with the bonds once deposited are strictly limited by the terms of the Trust Agreement. Except as set forth below, the acquisition by the Massachusetts Trust A of any securities other than the Bonds initially deposited is prohibited. The Sponsor may direct the Trustee to dispose of the bonds in the event of default or other adverse contingencies.

The Massachusetts Trust A may be amended by the Trustee and Sponsor without the consent of the Unitholders only to cure an ambiguity, to correct or supplement any provision which may be

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defective or inconsistent, or to make such provisions as will not adversely affect the interest of the Unitholders.

The Massachusetts Trust A will terminate when the principal amount of bonds held in the Massachusetts Trust A is less than 25% of the principal amount of the bonds originally deposited in it. The Trust may be terminated at any time by the written consent of 100% of the Unitholders. If the value of the Trust as shown by any evaluation is less than 50% of the principal amount of the Bonds originally deposited in it, the Trustee may in its discretion and will when directed by the Sponsors, terminate the Trust. In no event will the Trust terminate later than January 1, 2029.

In the opinion of Counsel for the Sponsor, the Massachusetts Trust A is not an association taxable as a corporation for Federal income tax purposes; each holder of a certificate of ownership will be treated as the owner of a pro rata portion thereof under the Internal Revenue Code of 1954, as amended, and the income of the Trust will be treated as income of the Unitholders. Interest on the bonds which is exempt from Federal income tax when received by the Trust will retain its tax exempt status when distributed to Unitholders.

It is also the opinion of Counsel for the Sponsor that for Federal income tax purposes the Unitholder will be considered to have received his pro rata share of bond interest when it is received by the Massachusetts Trust A, and will have a taxable event when the Massachusetts Trust A disposes of a bond or when the Unitholder redeems or sells his Unit.

Based on the foregoing, it is ruled:

1. For Massachusetts income tax purposes, the Massachusetts Trust A will be treated as a corporate trust under Section 8 of Chapter 62 of the Massachusetts General Laws and not as a grantor trust under Section 10(e) of Chapter 62 of the General Laws.
2. The proposed activities of the Massachusetts Trust A do not constitute doing business in Massachusetts within the meaning of Section 8 of Chapter 62 of the General Laws; therefore the Massachusetts Trust A will not be subject to Massachusetts income taxation under Chapter 62.
3. Unitholders who are subject to Massachusetts income taxation under General Laws Chapter 62 will not be required to include dividends received from the Massachusetts Trust A in their Massachusetts gross income to the extent that such dividends represent tax-exempt interest for Federal income tax purposes received by the Massachusetts Trust A on obligations issued by Massachusetts, its counties, municipalities, authorities, political subdivisions or instrumentalities or by the government of Puerto Rico or by its authority. Any undistributed earnings of the Massachusetts Trust A will not be attributed to Unitholders for Massachusetts income tax purposes.
4. The Massachusetts Trust A's capital gains and capital losses will be included in the Federal gross income of Unitholders 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 Unitholders' Massachusetts gross income, except where capital gain is specifically exempted from income taxation under the Massachusetts statute authorizing issuance of said obligations.
5. Gains and losses realized upon sale or redemption of Units by Unitholders who are subject to Massachusetts income taxation under General Laws Chapter 62 will be includable in their Massachusetts gross income.

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/RSF/rmm

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