

months of 1991, and the final regulations are virtually unchanged from the proposed rules. ■

## Mutual Funds Get Break from Ownership Change Rules

by Robert W. Wood • Bancroft & McAlister

**F**inal regulations have been issued concerning the use of tax attributes under Section 382 (TD 8428). Special rules are provided to segregate the stock ownership of mutual funds: the segregation rules of Temp. Reg. 1.382-2T(j)(2) do not apply to the issuance and redemption of stock by a mutual fund in the ordinary course of business, where the stock is redeemable on the shareholder's demand.

Under the segregation rules, public shareholders of a loss corporation are segregated into two or more separate groups as a result of certain transactions. Each public group is treated as a separate 5% shareholder, regardless of whether each of the groups actually owns 5% of the corporation's stock. This can trigger application of the Section 382 limits. The theory is that applying these segregation rules to mutual funds would impose administrative burdens akin to the result that would occur if public trading between less-than-5% shareholders had to be tracked. However, the segregation rules may still apply in other cases involving mutual funds (e.g., where stock is issued or redeemed as a result of a merger or other transaction under Section 381, transactions that would not be considered to be made in the ordinary course of business). The final regulations are effective as of 8/21/92, but generally apply to testing dates occurring after 1986. Proposed regulations had been released in the waning

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