

THE DEPOSITORY TRUST COMPANY

IMPORTANT

#: 0075-97
DATE: January 13, 1997
TO: All Participants
FROM: Dividend Department
ATTENTION: Managing Partner / Officer, Cashier

SUBJECT: Liberty All Star Equity Fund

The attached correspondence containing tax information was received by the Depository Trust Company.

D. Ruggiero
Assistant Supervisor
Dividend Department

Attachment



600 Atlantic Avenue
Federal Reserve Plaza
Boston, MA 02210-2214
617-722-6000
1-800-542-3863

B# 75-97

IMPORTANT TAX INFORMATION

RE: Notification to Liberty All-Star Equity Fund shareholders of tax attributes for 1996 distributions.

Liberty All-Star Equity Fund announces the final tax status of its 1996 distributions as follows:

Record Date	Date Paid	Amount Per Share	Ordinary Income		
			Net Investment Income	Short-term Capital Gains	Long-term Capital Gains
03/08/96	03/25/96	\$0.29	29.15%	14.53%	56.32%
05/31/96	07/02/96	\$0.30	--	--	100.00%
08/30/96	10/07/96	\$0.28	--	--	100.00%
11/21/96	01/06/97	\$0.31	--	--	100.00%

The designation of distributions was previously reported to shareholders on a tentative book basis. The final tax status is based upon tax reporting requirements and should be used by shareholders for tax return preparation.

Notice Regarding Retention of Long-Term Capital Gains

Liberty All-Star Equity Fund has retained \$0.380 per share of its net long-term capital gains realized during the year ended December 31, 1996 and has paid \$0.133 per share of federal capital gains tax on behalf of shareholders of record on December 31, 1996. Shareholders of record on December 31, 1996 should receive Form 2439 so as to be able to include these retained gains and take their credit for these taxes paid by the Fund in their 1996 tax return.