

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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FILER

MUNICIPAL INCOME TRUST III/MA

CIK: **852984** | IRS No.: **136939831** | State of Incorporation: **MA** | Fiscal Year End: **0831**
Type: **N-30D** | Act: **40** | File No.: **811-58421** | Film No.: **94523385**

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*TWO WORLD TRADE CENTER
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*TWO WORLD TRADE CTR -
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C/O DEAN WITTER
INTERCAPITAL INC
NEW YORK NY 10048
2123922550*

MUNICIPAL INCOME TRUST III
 Two World Trade Center
 New York, New York 10048

DEAR SHAREHOLDER:

Long-term revenue bond yields, as measured by The Bond Buyer, reached a record low of 5.41 percent in mid October. However, strong economic growth and fears of renewed inflationary pressures subsequently caused yields to rise. This reversed the trend toward lower yields that had been in place for more than three years. Municipal bond yields lagged the rise in U.S. Treasury bond yields through January. During February, municipal bond prices deteriorated substantially after the Federal Reserve Board increased the fed funds rate which banks charge each other for overnight borrowing. By the end of the period under review, The Bond Buyer Revenue Bond Index had climbed to 5.88 percent, its highest level in almost a year.

New-issue underwriting totaled a record \$290 billion in 1993, a 23 percent increase over the previous high of \$235 billion set in 1992. Refunding issues, which are used by state and local governments to refinance higher-coupon debt, represented 66 percent of total volume last year. New issues backed by insurance had a 37 percent market share. This year's new-issue volume is expected to decline by approximately 30 percent to the \$200 billion range. An estimated \$260 billion in bonds will either mature or be called in 1994, resulting in a decrease in outstanding municipal debt. For the first two months of 1994, new-issue volume declined by 20 percent and totaled \$30 billion. Refunding activity, the catalyst of last year's record underwriting, dropped even more sharply.

PERFORMANCE

Municipal Income Trust III's (NYSE Symbol: TFC) total return for the six months ended February 28, 1994 was -5.58 percent. This return was based on the change in New York Stock Exchange (NYSE) market price from \$10.25 to \$9.375 per share and reinvestment of dividends and distributions. The net asset value of TFC increased slightly from \$10.05 to \$10.07 per share.

For the six-month period the Fund paid shareholders income dividends totaling \$0.30 per share and a capital gains distribution of \$0.026. Beginning with the February 25, 1994 distribution, the Fund's monthly dividend level was reduced from \$0.05 per share to \$0.045 per share. This decrease was prompted by the prospect of continued redemptions of older, high-coupon bonds.

PORTFOLIO STRUCTURE

The Fund was fully invested throughout most of the six-month period in long-term tax-exempt bonds. Short-term municipals were temporarily held for cash flow purposes. Prerefunded bond holdings represented 28 percent of net assets. The average credit rating was "A1" by Moody's Investors Service, Inc. or "A+" by Standard & Poor's Corp. Non-performing loans represented 2.3 percent of the Fund's assets at the end of the period. The Fund's average maturity and call protection were 20 years and 9 years, respectively. Housing, hospital and electric revenue bonds, the three largest portfolio sectors comprised 45 percent of net assets. Bonds subject to the alternative minimum tax (AMT) accounted for 35 percent of net assets.

We would like to remind you that the Trustees have approved a procedure whereby the Fund, when appropriate, may attempt to reduce or eliminate a market value discount from net asset by repurchasing shares in the open market or in privately negotiated transactions at a price not above market value, if any, or net asset value, whichever is lower at the time of purchase.

We appreciate your support of Municipal Income Trust III and look forward to continuing to serve your investment needs and objectives.

Very truly yours,
 Charles A. Fiunefreddo
 Chairman of the Board

<TABLE>
 MUNICIPAL INCOME TRUST III
 PORTFOLIO OF INVESTMENTS February 28, 1994 (unaudited)

Principal Amount (in thousands)	Coupon Rate	Maturity Date	Value
- - - - -	- - - - -	- - - - -	- - - - -

<C>	<S>	<C>	<C>	<C>
	MUNICIPAL BONDS (98.9%)			
	GENERAL OBLIGATION (5.0%)			
\$ 2,400	District of Columbia, Ser 1990 B (Prerefunded)	7.50 %	6/ 1/10	\$ 2,809,200
500	New York City, New York, Ser 1989 C.....	6.50	8/15/08	516,035
-----				-----
2,900				3,325,235
-----				-----
	EDUCATIONAL FACILITIES REVENUE (4.7%)			
1,440	California Public Works Board, University of California			
	1993 Ser A.....	5.50	6/ 1/21	1,356,653
1,000	Massachusetts Health & Educational Facilities Authority,			
	Boston College Ser K.....	5.25	6/ 1/18	939,900
750	West Virginia School Building Authority, Cap Impr Ser 1991 A.....	6.75	7/ 1/15	806,355
-----				-----
3,190				3,102,908
-----				-----
	ELECTRIC REVENUE (10.0%)			
1,155	Municipal Electric Authority of Georgia, Power Ser 1991 U			
	(MBIA Insured) (Prerefunded).....	7.00	1/ 1/16	1,325,594
2,000	San Antonio, Texas, Electric & Gas Refg Ser 1994 INFLOS.....	6.37 +	2/ 1/06	1,787,500
3,000	Washington Public Power Supply System, Proj #2 Refg			
	Ser 1990 C (Prerefunded).....	7.625	7/ 1/10	3,538,170
-----				-----
6,155				6,651,264
-----				-----
	HOSPITAL REVENUE (10.8%)			
925	Illinois Health Facilities Authority, Glen Oaks Medical Center Inc			
	Refg 1990 Ser D.....	9.50	11/15/15	1,122,663
1,625	Minneapolis & St Paul Housing & Redevelopment Authority,			
	Health One Oblig Grp 1990 Ser B (Prerefunded).....	8.00	8/15/14	1,949,009
2,000	Comanche County Hospital Authority, Oklahoma, Ser 1989			
	(Prerefunded).....	8.05	7/ 1/16	2,362,000
1,100	Montgomery County Higher E Health Authority, Pennsylvania,			
	Frankford Hospital Ser 1986.....	7.875	1/ 1/19	1,185,371
500	Washington County Municipal Authority, Pennsylvania,			
	Shadyside Hospital Ser 1985 C-1 D (AMBAC Insured)			
	(Prerefunded).....	7.45	12/15/18	588,055
-----				-----
6,150				7,207,098
-----				-----
	INDUSTRIAL DEVELOPMENT/POLLUTION CONTROL			
	REVENUE (7.8%)			
3,000	Cleveland, Ohio, Continental Airlines Inc Ser 1990 (AMT).....	9.00	12/ 1/19	3,096,930
2,005	Alliance Airport Authority, Texas, American Airlines Inc			
	Ser 1990 (AMT).....	7.50	12/ 1/29	2,143,886
-----				-----
5,005				5,240,816
-----				-----
	MORTGAGE REVENUE--SINGLE FAMILY (24.0%)			
2,000	Alaska Housing Finance Corporation, 1993 1st Ser.....	5.90	12/ 1/33	1,960,700
645	Colorado Housing Finance Authority, Ser A-2 (AMT).....	8.25	8/ 1/20	681,410
385	Hawaii Housing Finance & Development Corporation, Purchase			
	Ser 1989 A (AMT).....	7.80	7/ 1/29	387,922
2,495	Idaho Housing Agency, Ser 1988 D-2 (AMT).....	8.25	1/ 1/20	2,925,388
4,530	Saint Tammany Public Trust Financing Authority, Louisiana,			
	Refg Ser 1990 B.....	0.00	7/25/11	4,416,303
1,000	Maine Housing Authority, Purchase Ser 1990 A-4 (AMT).....	6.40	11/15/23	1,010,650
	Massachusetts Housing Finance Agency,			
	Ser 1989 A (AMT).....	8.10	8/ 1/09	1,596,150
1,500	Ser 1989 A (AMT).....	8.20	8/ 1/27	532,645
500	Utah Housing Finance Agency,			
	Ser 1991 Issue A-2 (AMT).....	7.75	1/ 1/23	1,057,028
970	Ser 1991 Issue B-2 (AMT).....	7.75	1/ 1/23	1,454,776
1,335				
-----				-----
15,360				16,022,972
-----				-----

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<TABLE>
MUNICIPAL INCOME TRUST III
PORTFOLIO OF INVESTMENTS February 28, 1994 (unaudited) (continued)

<C>	<S>	<C>	<C>	<C>
Principal Amount (in thousands)		Coupon Rate	Maturity Date	Value
-----		-----	-----	-----
	NURSING & LIFE CARE REVENUE (9.5%)			
\$ 2,573	Vista, California, Long-Term Care Foundation of America			

1,000	Ser 1989 (a) (b).....	9.875%	1/ 1/20	\$ 1,543,800
2,000	Marion, Iowa, AHF/Kentucky-Iowa Inc Ser 1990.....	10.25	1/ 1/20	1,074,940
	Lexington-Fayette Urban County Government, Kentucky, AHF/Kentucky-Iowa Inc Ser 1990.....	10.25	1/ 1/20	2,149,880
1,750	Metropolitan Government of Nashville & Davidson County Health & Educational Facilities Board, Tennessee, Metro- politan Nashville Teachers' Nursing Facility Inc Ser 1989.....	10.25	10/ 1/19	1,557,500
- -----				-----
7,323				6,326,120
- -----				-----
	PUBLIC FACILITIES REVENUE (4.8%)			
2,750	Florence County Public Facilities Corporation, South Carolina, Law Enforce & Civic Ctr 1990 COPs (AMBAC Insured) (Prerefunded).....	7.60	3/ 1/14	3,202,870
- -----				-----
	RESOURCE RECOVERY REVENUE (4.0%)			
2,500	Cambria County Industrial Development Authority, Pennsylvania, Cambria Cogen Co Ser 1989 F-2 (AMT).....	7.75	9/ 1/19	2,692,850
- -----				-----
	TRANSPORTATION REVENUE (9.7%)			
2,000	Denver, Colorado, Airport Ser 1990 A (AMT).....	8.50	11/15/23	2,287,600
2,480	Southwestern Illinois Development Authority, Tri-City Regional Port District Ser 1989 (AMT) (b).....	7.90	7/ 1/14	2,820,008
1,500	Puerto Rico Highway & Transportation Authority, Refg Ser 1993 X.....	5.25	7/ 1/21	1,391,295
- -----				-----
5,980				6,498,903
- -----				-----
	WATER & SEWER REVENUE (2.4%)			
1,090	Erie County Water Authority, New York, 4th Resolution Refg Ser 1992 (AMBAC Insured).....	0.00	12/ 1/17	196,015
1,500	Massachusetts Water Resources Authority, 1993 Ser C.....	5.25	12/ 1/20	1,388,415
- -----				-----
2,590				1,584,430
- -----				-----
	OTHER REVENUE (6.2%)			
1,000	Pasadena, California, Refg & Cap 1992 COPs.....	5.75	1/ 1/13	1,001,390
500	Illinois Development Finance Authority, Church Road Partnership #2 Ser 1989 (AMT).....	7.875	9/ 1/14	547,050
2,250	New York Local Government Assistance Corporation, Ser 1991 C (Prerefunded).....	7.00	4/ 1/21	2,599,042
- -----				-----
3,750				4,147,482
- -----				-----
\$63,653	TOTAL INVESTMENTS (IDENTIFIED COST \$61,692,689) (C)		98.9%	66,002,948
=====	OTHER ASSETS IN EXCESS OF LIABILITIES.....		1.1	761,625
			-----	-----
	NET ASSETS.....		100.0%	\$66,764,573
			=====	=====

<FN>

- + Current coupon rate for residual interest bonds. This rate resets periodically as the auction rate on the related short-term securities fluctuates.
- (a) Non-income producing, bond in default.
- (b) Resale is restricted to qualified accredited investors.
- (c) The aggregate cost for federal income tax purposes is \$61,692,689; the aggregate gross unrealized appreciation is \$5,836,998 and the aggregate gross unrealized depreciation is \$1,526,739, resulting in net unrealized appreciation of \$4,310,259.

See Notes to Financial Statements

</TABLE>

<TABLE>

MUNICIPAL INCOME TRUST III
FINANCIAL STATEMENTS

<CAPTION>

STATEMENT OF ASSETS AND LIABILITIES
February 28, 1994 (unaudited)

<S>	<C>
ASSETS:	
Investments in securities, at value (identified cost \$61,692,689) (Note 1)	\$66,002,948
Interest receivable.....	1,018,092
Deferred organizational expenses (Note 1).....	5,372
Prepaid expenses and other assets.....	31,087

TOTAL ASSETS.....	67,057,499

LIABILITIES:	
Payable to bank.....	179,279
Payable for shares of beneficial interest repurchased (Note 5).....	37,620
Investment advisory fee payable (Note 2).....	23,097
Administration fee payable (Note 3).....	14,436
Accrued expenses (Note 4).....	38,494

TOTAL LIABILITIES.....	292,926

NET ASSETS:	
Paid-in-capital.....	61,397,812
Accumulated undistributed net realized gain on investments.....	658,109
Net unrealized appreciation on investments.....	4,310,259
Accumulated undistributed net investment income.....	398,393

NET ASSETS.....	\$66,764,573
	=====
NET ASSET VALUE PER SHARE, 6,628,086	
shares outstanding (unlimited shares authorized of \$.01 par value).....	\$10.07
	=====

=====
<CAPTION>
STATEMENT OF OPERATIONS For the six months
ended February 28, 1994 (unaudited)
=====

<S>	<C>
INVESTMENT INCOME:	
INTEREST INCOME	\$2,337,326

EXPENSES	
Investment advisory fee (Note 2).....	133,873
Administration fee (Note 3).....	83,670
Professional fees.....	32,945
Transfer agent fees and expenses (Note 4).....	16,290
Trustees' fees and expenses.....	11,083
Shareholder reports and notices	10,860
Registration fees.....	8,048
Organizational expenses (Note 1).....	4,459
Custodian fees.....	1,810
Other.....	5,112

TOTAL EXPENSES.....	308,150

NET INVESTMENT INCOME.....	2,029,176

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS (Note 1):	
Net realized gain on investments.....	657,847
Net change in unrealized appreciation on investments.....	(406,757)

NET GAIN ON INVESTMENTS.....	251,090

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	
	\$2,280,266
	=====

</TABLE>

<TABLE>
STATEMENT OF CHANGES IN NET ASSETS
=====

<CAPTION>	For the six months ended February 28, 1994 (unaudited)	For the year ended August 31, 1993
	-----	-----
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
Operations:		
Net investment income.....	\$ 2,029,176	\$ 4,158,772
Net realized gain on investments.....	657,847	172,880
Net change in unrealized appreciation.....	(406,757)	1,548,682

Net increase in net assets resulting from operations.....	2,280,266	5,880,334
Dividends and distributions to shareholders from:		
Net investment income.....	(1,956,465)	(3,979,228)
Net realized gain on investments.....	(172,434)	(273,905)
Total dividends and distributions.....	(2,128,899)	(4,253,133)
Net decrease from transactions in shares of beneficial interest (Note 5)..	(37,620)	-0-
Total increase.....	113,747	1,627,201
NET ASSETS:		
Beginning of period.....	66,650,826	65,023,625
END OF PERIOD (including undistributed net investment income of \$398,393 and \$325,682, respectively).....	\$66,764,573	\$66,650,826

See Notes to Financial Statements

</TABLE>

MUNICIPAL INCOME TRUST III
NOTES TO FINANCIAL STATEMENTS (unaudited)

1. ORGANIZATION AND ACCOUNTING POLICIES--Municipal Income Trust III (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified, closed-end management investment company. It was organized on June 26, 1989 as a Massachusetts business trust and commenced operations on October 5, 1989.

The following is a summary of significant accounting policies:

A. Valuation of Investments--Portfolio securities are valued for the Fund by an outside independent pricing service approved by the Fund's Trustees. The pricing service has informed the Fund that in valuing the Fund's portfolio securities, it uses both a computerized grid matrix of tax-exempt securities and evaluations by its staff, in each case based on information concerning market transactions and quotations from dealers which reflect the bid side of the market each day. The Fund's portfolio securities are thus valued by reference to a combination of transactions and quotations for the same or other securities believed to be comparable in quality, coupon, maturity, type of issue, call provisions, trading characteristics and other features deemed to be relevant.

B. Accounting for Investments--Security transactions are accounted for on the trade date (date the order to buy or sell is executed). In computing net investment income, the Fund amortizes premiums and original issue discounts on fixed income securities. Additionally, with respect to market discount on bonds purchased after April 30, 1993, a portion of any capital gain realized upon disposition is recharacterized as taxable investment income. Realized gains and losses on security transactions are determined on the identified cost method. Interest income is accrued daily except where collection is not expected.

C. Federal Income Tax Status--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable and nontaxable income to its shareholders. Accordingly, no federal income tax provision is required.

D. Dividends and Distributions to Shareholders--The Fund records dividends and distributions to its shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These "book/tax" differences are either considered temporary or permanent in nature. To the extent that these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassifications. Dividends and distributions which exceed net investment income and net realized capital gains for financial reporting purposes but not for tax purposes are reported as dividends in excess of net investment income or distributions in excess of net realized capital gains. To the extent that they exceed net investment income and net realized capital gains for tax purposes, they are reported as distributions of paid-in-

capital.

E. Organizational Expenses--The Fund's Former Administrator paid the organizational expenses of the Fund in the amount of \$45,000. The Fund reimbursed the Former Administrator for such expenses which are being amortized by the straight-line method over a period not to exceed five years from the commencement of operations.

2. INVESTMENT ADVISORY AGREEMENT--Pursuant to an Investment Advisory Agreement (the "Advisory Agreement") with Dean Witter InterCapital Inc. (the "Investment Adviser"), the Fund pays its Investment Adviser an advisory fee, calculated weekly and payable monthly, by applying the following annual rates to the Fund's average weekly net assets: 0.40% of the portion of the Fund's average weekly net assets not exceeding \$250 million and 0.30% of the portion of average weekly net assets exceeding \$250 million.

MUNICIPAL INCOME TRUST III
NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

Under the terms of the Advisory Agreement, the Investment Adviser manages the Fund's assets. Also, the Investment Adviser pays the salaries of all personnel, including officers of the Fund, who are employees of the Investment Adviser.

3. ADMINISTRATION AGREEMENT-- Through December 31, 1993, pursuant to an Administration Agreement with Dean Witter InterCapital Inc. (the "Former Administrator"), the Fund paid an administration fee, calculated weekly and payable monthly, by applying the following annual rates to the Fund's average weekly net assets: 0.25% of the portion of the Fund's average weekly net assets not exceeding \$250 million; 0.20% of the portion of average weekly net assets exceeding \$250 million but not exceeding \$500 million; 0.167% of the portion of average weekly net assets exceeding \$500 million but not exceeding \$750 million; and 0.133% of the portion of average weekly net assets exceeding \$750 million. On January 1, 1994, the Administration Agreement between the Former Administrator and the Fund had been terminated and a new Administration Agreement had been entered into between Dean Witter Services Company Inc. (the "Administrator"), a wholly-owned subsidiary of the Former Administrator, and the Fund. The nature and scope of the services being provided to the Fund or any fees being paid by the Fund under the new Agreement are identical to those of the previous Agreement.

Under the terms of the Administration Agreement, the Administrator maintains certain of the Fund's books and records and furnishes, at its own expense, such office space, facilities, equipment, clerical help, bookkeeping and certain legal services as the Fund may reasonably require in the conduct of its business. In addition, the Administrator pays the salaries of all personnel, including officers of the Fund who are employees of the Administrator.

4. SECURITY TRANSACTIONS AND TRANSACTIONS WITH AFFILIATES--The cost of purchases and the proceeds from sales of portfolio securities for the six months ended February 28, 1994, excluding short-term investments, aggregated \$7,723,044 and \$6,170,667, respectively.

Dean Witter Trust Company, an affiliate of the Investment Adviser and Administrator, is the Fund's transfer agent. At February 28, 1994, the Fund had transfer agent fees and expenses payable of \$7,204.

<TABLE>
5. SHARES OF BENEFICIAL INTEREST--Transactions in shares of beneficial interest were as follows:
<CAPTION>

	Shares	Par Value of Shares	Capital Paid In Excess of Par Value
<S>	<C>	<C>	<C>
Balance, August 31, 1992 and August 31, 1993.....	6,632,086	\$66,321	\$61,369,111
Treasury shares purchased and retired (weighted average discount 6.60%)*.....	(4,000)	(40)	(37,580)
Balance, February 28, 1994.....	6,628,086	\$66,281	\$61,331,531

<FN>
* The Trustees have voted to retire the shares repurchased.
<CAPTION>

6. DIVIDENDS--The Fund has declared the following dividends from net investment income--

Declaration Date	Amount Per Share	Record Date	Payable Date
------------------	------------------	-------------	--------------

<S>	<C>	<C>	<C>
March 1, 1994	\$0.045	March 11, 1994	March 25, 1994
March 29, 1994	\$0.045	April 8, 1994	April 22, 1994

</TABLE>

<TABLE>
MUNICIPAL INCOME TRUST III
NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

<CAPTION>
7. SELECTED QUARTERLY FINANCIAL DATA--

	Quarters Ended*			
	2/28/94		11/30/93	
	Total	Per Share	Total	Per Share
<S>	<C>	<C>	<C>	<C>
Total investment income	\$1,137	\$0.17	\$1,200	\$0.18
Net investment income.....	994	0.15	1,035	0.16
Net realized and unrealized gain (loss) on investments.....	(300)	(0.05)	551	0.08

	Quarters Ended*							
	8/31/93		5/31/93		2/29/93		11/30/92	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total investment income	\$1,232	\$0.19	\$1,170	\$0.17	\$1,196	\$0.18	\$1,201	\$0.18
Net investment income	1,074	0.16	1,019	0.16	1,031	0.15	1,035	0.16
Net realized and unrealized gain (loss) on investments.....	(160)	(0.03)	268	0.04	1,119	0.17	495	0.08

* Totals expressed in thousands of dollars.

<CAPTION>
FINANCIAL HIGHLIGHTS (unaudited)

Selected data and ratios for a share of beneficial interest outstanding throughout each period:

	For the six months ended February 28, 1994	For the years ended August 31,			For the period October 5, 1989* through August 31, 1990
		1993	1992	1991	
<S>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:					
Net asset value, beginning of period.....	\$10.05	\$ 9.80	\$ 9.60	\$9.32	\$9.30
Net investment income.....	0.31	0.63	0.62	0.68	0.57
Net realized and unrealized gain on investments.....	0.04	0.26	0.28	0.30	0.05
Total from investment operations.....	0.35	0.89	0.90	0.98	0.62
Less dividends, distributions and other charges:					
Dividends from net investment income.....	(0.30)	(0.60)	(0.64)	(0.66)	(0.55)
Distributions from net realized gain on investments.....	(0.03)	(0.04)	(0.06)	(0.04)	-0-
Offering costs charged against capital.....	-0-	-0-	-0-	-0-	(0.05)
Total dividends, distributions and other charges.....	(0.33)	(0.64)	(0.70)	(0.70)	(0.60)
Net asset value, end of period.....	\$10.07	\$10.05	\$9.80	\$9.60	\$9.32
Market value, end of period.....	\$ 9.375	\$10.25	\$9.75	\$9.625	\$8.625
TOTAL INVESTMENT RETURN+.....	(5.58%) (1)	12.27%	8.73%	20.38%	(8.37%) (1)
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (in thousands).....	\$66,765	\$66,651	\$65,024	\$63,565	\$62,147
Ratio of expenses to average net assets.....	0.92% (2)	0.98%	1.00%	1.02%	1.10% (2)
Ratio of net investment income to average net assets.....	6.06% (2)	6.37%	6.38%	7.20%	6.76% (2)
Portfolio turnover rate.....	9%	2%	8%	40%	150%

<FN>

-
- * Commencement of operations.
 - + Total investment return is based upon the current market value on the first and last day of each period reported. Dividends and distributions are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect sales charges or brokerage commissions.

(1) Not annualized.

(2) Annualized.

See Notes to Financial Statements

The financial statements included herein have been taken from the records of the Fund without examination by the independent accountants and accordingly they do not express an opinion thereon.

</TABLE>

TRUSTEES

Jack F. Bennett
Michael Bozic
Charles A. Fiumefreddo
Edwin J. Garn
John R. Haire
Dr. John E. Jeuck
Dr. Manuel H. Johnson
Paul Kolton
Michael E. Nugent
Philip J. Purcell
John L. Schroeder
Edward R. Telling

OFFICERS

Charles A. Fiumefreddo
Chairman and Chief Executive Officer

Sheldon Curtis
Vice President, Secretary and General Counsel

James F. Willison
Vice President

Thomas F. Caloia
Treasurer
TRANSFER AGENT

Dean Witter Trust Company
Harborside Financial Center--Plaza Two
Jersey City, New Jersey 07311
LEGAL COUNSEL

Sheldon Curtis
Two World Trade Center
New York, New York 10048
INDEPENDENT ACCOUNTANTS

Price Waterhouse
1177 Avenue of the Americas
New York, New York 10036
INVESTMENT ADVISER

Dean Witter InterCapital Inc.
Two World Trade Center
New York, New York 10048

MUNICIPAL
INCOME
TRUST III

SEMIANNUAL REPORT
FEBRUARY 28, 1994