

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

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### FILER

#### **IDS TAX EXEMPT BOND FUND INC**

CIK: **202159** | IRS No.: **411284051** | State of Incorporation: **MN** | Fiscal Year End: **1231**  
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Business Address  
*80 SOUTH 8TH STREET  
T33/52  
MINNEAPOLIS MN 55440  
6126712772*

AXP(SM)  
Intermediate  
Tax-Exempt Fund  
1999 SEMIANNUAL REPORT

(icon of) padlock

The goal of AXP Intermediate Tax-Exempt Fund is to seek a high level of current income exempt from federal taxes.

Distributed by American Express Financial Advisors Inc.

AMERICAN EXPRESS Financial Advisors

Why Suffer From a 'Lack of Interest'?

If you're looking for a higher yield than a typical tax-free money market fund with less price volatility than a typical tax-exempt bond fund, this fund is designed for you. Its yield is generally free from federal taxes, but not necessarily state and local taxes.

CONTENTS

From the Chairman.....	3
From the Portfolio Manager.....	3
Fund Facts.....	5
The 10 Largest Holdings.....	6
Financial Statements.....	7
Notes to Financial Statements.....	10
Investments in Securities.....	16

(icon of) Arne H. Carlson

Arne H. Carlson  
Chairman of the board

From the Chairman

American Express(R) Funds held shareholder meetings in June 1999. Shareholders approved all of the proposals advanced by management. Among the proposals were:

- o The election of members to the board of directors and the selection of KPMG LLP as independent auditor.
- o A change in the Fund's name from "IDS" to "AXP."
- o A new shareholder service and distribution plan.

No other business was presented at the meeting, which was concluded by a report to shareholders from the investment department of American Express Financial Corporation.

Thanks to all of you for reviewing the proxy material and voting your proxies.

Arne H. Carlson

(picture of) Terry Fettig

Terry Fettig  
Portfolio manager

From the Portfolio Manager

Municipal bonds experienced a relatively productive six months, although a rise in interest rates late in the period tempered their performance somewhat. For the Fund, the result was a total return (net asset value change and interest income) of 1.25% for the Fund's Class A shares in the first half of the fiscal year -- December 1998 through May 1999.

Despite ongoing reports of remarkably low inflation, a continuation of strong economic growth in the U.S. kept fixed-income investors on edge throughout most of the six months. (In fact, the only negative inflation news didn't surface until May, when the consumer price index came in higher than expected and the Federal Reserve Board said it was leaning toward raising short-term interest rates at some point.) Their concern led them to sell bonds, which in turn drove long-term interest rates up and bond prices down.

Compared with U.S. Treasury issues, the selling pressure on municipal bonds was far less, especially in the shorter-maturity issues this Fund concentrates on. Thus, in the end, the effect on the Fund's net asset value was minor -- a loss of 3 cents over the six months.

#### A NEUTRAL DURATION

As for the structure of the portfolio, I kept its duration close to neutral. (Duration, a function of the average maturity of the bonds in the portfolio, determines how sensitive the Fund's value is to changes in interest rates. The longer the duration, the greater the sensitivity.) Therefore, fluctuations in the net asset value were relatively small.

To enhance the Fund's yield, I added to the holdings of non-rated bonds, which are below-investment-grade issues that pay comparatively higher interest. I also increased the exposure to BBB-rated bonds (at the low end of the investment-grade scale), chiefly healthcare-related issues that, again, offered relatively attractive yields.

Looking to the rest of the fiscal year, I think that investors' concerns about higher inflation is likely to continue, as the U.S. economy has yet to show signs of slowing down. Therefore, I expect modest upward pressure on interest rates in the months ahead. If that scenario plays out, for the Fund it would likely result in performance not unlike the first half of the period.

Terry Fettig

#### Fund Facts

Class A -- 6-month performance  
(All figures per share)

Net asset value (NAV)	
May 31, 1999	\$5.11
Nov. 30, 1998	\$5.14
Decrease	\$0.03
Distributions -- Dec. 1, 1998 - May 31, 1999	
From income	\$0.10
From capital gains	\$ --
Total distributions	\$0.10
Total return*	+1.25%**

Class B -- 6-month performance

(All figures per share)

Net asset value (NAV)	
May 31, 1999	\$5.10
Nov. 30, 1998	\$5.14
Decrease	\$0.04
Distributions -- Dec. 1, 1998 - May 31, 1999	
From income	\$0.08
From capital gains	\$ --
Total distributions	\$0.08
Total return*	+0.87%**

Class Y -- 6-month performance

(All figures per share)

Net asset value (NAV)	
May 31, 1999	\$5.10
Nov. 30, 1998	\$5.13
Decrease	\$0.03
Distributions -- Dec. 1, 1998 - May 31, 1999	
From income	\$0.11
From capital gains	\$ --
Total distributions	\$0.11
Total return*	+1.45%**

\*The prospectus discusses the effect of sales charges, if any, on the various classes.

\*\*The total return is a hypothetical investment in the Fund with all distributions reinvested.

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The 10 Largest Holdings

	Percent (of net assets)	Value (as of May 31, 1999)
Alaska Industrial Development & Exploration Authority Electric Power Revenue Bonds Upper Lynn Canal Regional Power Series 1997 A.M.T. <S> 5.00% 2002	<C> 2.18%	<C> \$701,439
Sandoval County New Mexico Multi-family Housing Refunding Revenue Bonds Meadowlark Apartments Series 1998B A.M.T. 6.38% 2001	1.87	600,535
Chicago Illinois Unlimited Tax General Obligation Refunding Bonds Series 1996B 6.00% 2002	1.70	545,340
Houston Texas Water & Sewer System Prior Lien Refunding Revenue Bonds Series 1992B 5.75% 2002	1.65	529,379
New York State Dormitory Authority Health Care Revenue Bonds Mental Health Services Facilities Series 1997B 5.00% 2002	1.60	513,844
Massachusetts State Health & Education Facilities Authority Hospital Revenue Bonds Caritas Christi Obligation Group Series 1999A 5.25% 2004	1.59	511,030
Denver Colorado City & County Airport Revenue Bonds Series 1996 A.M.T. 4.80% 2000	1.58	508,620
Knox County Tennessee Unlimited Tax General Obligation Bonds Series 1997 4.45% 2003	1.58	508,520
Long Beach Harbor California Revenue Bonds Series 1993 A.M.T. 4.50% 2002	1.58	508,176
North Springs Florida Improvement Special Assessment District Revenue Bonds Parkland Isles Series 1997B 6.25% 2005	1.58	508,040

Note: Investment income from certain securities may be subject to the Alternative Minimum Tax (A.M.T.).

For further detail about these holdings, please refer to the section entitled "Investments in Securities."

(icon of) pie chart

The 10 holdings listed here  
make up 16.91% of net assets

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Financial Statements

Statement of assets and liabilities  
AXP Intermediate Tax-Exempt Fund

May 31, 1999 (Unaudited)

Assets	
Investments in securities, at value (Note 1) <S> (identified cost \$32,094,208)	<C> \$32,374,029
Cash in bank on demand deposit	22,484
Expense receivable from AEFC	133
Accrued interest receivable	436,412
	-----
Total assets	\$32,833,058
	-----

Liabilities		
Dividends payable to shareholders		3,147
Payable for investment securities purchased		645,398
Accrued investment management services fee		394
Accrued distribution fee		159
Accrued service fee		153
Accrued transfer agency fee		60
Accrued administrative services fee		35
Other accrued expenses		27,717
		-----
Total liabilities		677,063
		-----
Net assets applicable to outstanding capital stock		\$32,155,995
		=====
Represented by		
Capital stock-- \$.01 par value (Note 1)		\$ 62,984
Additional paid-in capital		31,835,217
Undistributed net investment income		1
Accumulated net realized gain (loss) (Note 5)		(22,028)
Unrealized appreciation (depreciation) on investments		279,821
		-----
Total -- representing net assets applicable to outstanding capital stock		\$32,155,995
		=====
Net assets applicable to outstanding shares:	Class A	\$24,228,625
	Class B	\$ 7,926,247
	Class Y	\$ 1,123
Net asset value per share of outstanding capital stock:	Class A shares 4,745,498	5.11
	Class B shares 1,552,716	\$ 5.10
	Class Y shares 220	\$ 5.10
	-----	-----

See accompanying notes to financial statements.  
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#### Statement of operations

AXP Intermediate Tax-Exempt Fund  
Six months ended May 31, 1999 (Unaudited)

Investment income		
Income:		
<S>		<C>
Interest		\$720,086
		-----
Expenses (Note 2):		
Investment management services fee		69,774
Distribution fee-- Class B		27,807
Transfer agency fee		8,783
Incremental transfer agency fee		
Class A		738
Class B		480
Service fee		
Class A		20,574
Class B		6,469
Administrative services fees and expenses		6,704
Compensation of board members		4,018
Custodian fees		4,287
Printing and postage		6,259
Registration fees		12,279
Audit fees		6,750
Other		3,790
		-----
Total expenses		178,712
Less expenses voluntarily reimbursed by AEFC (Note 2)		(7,945)
		-----
		170,767
Earnings credits on cash balances (Note 2)		(1,131)
		-----
Total net expenses		169,636
		-----
Investment income (loss) -- net		550,450
		-----
Realized and unrealized gain (loss) -- net		
Net realized gain (loss) on security transactions (Note 3)		16,404
Net change in unrealized appreciation (depreciation) on investments		(226,289)
		-----
Net gain (loss) on investments		(209,885)

Net increase (decrease) in net assets resulting from operations -----  
\$340,565  
=====

See accompanying notes to financial statements.  
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Statements of changes in net assets  
AXP Intermediate Tax-Exempt Fund

	May 31, 1999 Six months ended (Unaudited)	Nov. 30, 1998 Year ended
Operations and distributions		
<S>	<C>	<C>
Investment income (loss) -- net	\$ 550,450	\$ 913,715
Net realized gain (loss) on security transactions	16,404	111
Net change in unrealized appreciation (depreciation) on investments	(226,289)	260,381
	-----	-----
Net increase (decrease) in net assets resulting from operations	340,565	1,174,207
	-----	-----
Distributions to shareholders from:		
Net investment income		
Class A	(442,646)	(722,204)
Class B	(110,853)	(191,469)
Class Y	(21)	(43)
	---	---
Total distributions	(553,520)	(913,716)
	-----	-----
Capital share transactions (Note 4)		
Proceeds from sales		
Class A shares (Note 2)	11,626,542	17,789,645
Class B shares	3,165,203	4,471,658
Reinvestment of distributions at net asset value		
Class A shares	348,311	559,558
Class B shares	103,372	177,771
Class Y shares	23	43
Payments for redemptions		
Class A shares	(8,239,056)	(14,921,647)
Class B shares (Note 2)	(2,312,109)	(3,249,556)
	-----	-----
Increase (decrease) in net assets from capital share transactions	4,692,286	4,827,472
	-----	-----
Total increase (decrease) in net assets	4,479,331	5,087,963
Net assets at beginning of period	27,676,664	22,588,701
	-----	-----
Net assets at end of period	\$32,155,995	\$27,676,664
	=====	=====
Undistributed net investment income	\$ 1	\$ 3,071
	-----	-----

See accompanying notes to financial statements.  
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Notes to Financial Statements

AXP Intermediate Tax-Exempt Fund  
(Unaudited as to May 31, 1999)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AXP Intermediate Tax-Exempt Fund (a series of AXP Tax-Exempt Series, Inc.) is registered under the Investment Company Act of 1940 (as amended) as a diversified, open-end management investment company. AXP Tax-Exempt Series, Inc. has 10 billion authorized shares of capital stock that can be allocated among the separate series as designated by the board. The Fund invests primarily in bonds and other debt obligations.

The Fund offers Class A, Class B and Class Y shares.

- o Class A shares are sold with a front-end sales charge.
- o Class B shares may be subject to a contingent deferred sales charge and automatically convert to Class A shares during the ninth calendar year of ownership.

- o Class Y shares have no sales charge and are offered only to qualifying institutional investors.

All classes of shares have identical voting, dividend and liquidation rights. The distribution fee, transfer agency fee and service fee (class specific expenses) differs among classes. Income, expenses (other than class specific expenses) and realized and unrealized gains or losses on investments are allocated to each class of shares based upon its relative net assets.

The Fund's significant accounting policies are summarized below:

#### Use of estimates

Preparing financial statements that conform to generally accepted accounting principles requires management to make estimates (e.g., on assets and liabilities) that could differ from actual results.

#### Valuation of securities

All securities are valued at the close of each business day. Securities traded on national securities exchanges or included in national market systems are valued at the last quoted sales price. Debt securities are generally traded in the over-the-counter market and are valued at a price that reflects fair value as quoted by dealers in these securities or by an independent pricing service. Securities for which market quotations are not readily available are valued at fair value according to methods selected in good faith by the board. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates; those maturing in 60 days or less are valued at amortized cost.

#### Option transactions

To produce incremental earnings, protect gains, and facilitate buying and selling of securities for investments, the Fund may write over-the-counter options where completing the obligation depends upon the credit standing of the other party. The Fund also may buy and sell put and call options and write covered call options on portfolio securities as well as write cash-secured put options. The risk in writing a call option is that the Fund gives up the opportunity for profit if the market price of the security increases. The risk in writing a put option is that the Fund may incur a loss if the market price of the security decreases and the option is exercised. The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. The Fund also has the additional risk of being unable to enter into a closing transaction if a liquid secondary market does not exist.

Option contracts are valued daily at the closing prices on their primary exchanges and unrealized appreciation or depreciation is recorded. The Fund will realize a gain or loss when the option transaction expires or closes. When options on debt securities or futures are exercised, the Fund will realize a gain or loss. When other options are exercised, the proceeds on sales for a written call option, the purchase cost for a written put option or the cost of a security for a purchased put or call option is adjusted by the amount of premium received or paid.

#### Futures transactions

To gain exposure to or protect itself from market changes, the Fund may buy and sell financial futures contracts. Risks of entering into futures contracts and related options include the possibility of an illiquid market and that a change in the value of the contract or option may not correlate with changes in the value of the underlying securities.

Upon entering into a futures contract, the Fund is required to deposit either cash or securities in an amount (initial margin) equal to a certain percentage of the contract value. Subsequent payments (variation margin) are made or received by the Fund each day. The variation margin payments are equal to the daily changes in the contract value and are recorded as unrealized gains and losses. The Fund recognizes a realized gain or loss when the contract is closed or expires.

#### Federal taxes

The Fund's policy is to comply with all sections of the Internal Revenue Code that apply to regulated investment companies and to distribute all of its taxable income to share-holders. No provision for income or excise taxes is thus required.

Net investment income (loss) and net realized gains (losses) may differ for financial statement and tax purposes primarily because of deferred losses on certain futures contracts and losses deferred due to "wash sale" transactions. The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the year that the income or realized gains (losses) were recorded by the Fund.

#### Dividends to shareholders

Dividends from net investment income, declared daily and payable monthly, are reinvested in additional shares of the Fund at net asset value or payable in cash. Capital gains, when available, are distributed along with the last income dividend of the calendar year.

#### Other

Security transactions are accounted for on the date securities are purchased or sold. Interest income, including level-yield amortization of premium and discount, is accrued daily.

#### 2. EXPENSES AND SALES CHARGES

The Fund has agreements with American Express Financial Corporation (AEFC) to manage its portfolio and provide administrative services. Under an Investment Management Services Agreement, AEFC determines which securities will be purchased, held or sold. The management fee is a percentage of the Fund's average daily net assets in reducing percentages from 0.45% to 0.35% annually.

Under an Administrative Services Agreement, the Fund pays AEFC a fee for administration and accounting services at a percentage of the Fund's average daily net assets in reducing percentages from 0.04% to 0.02% annually. Additional administrative service expenses paid by the Fund are office expenses, consultants' fees and compensation of officers and employees. Under this agreement, the Fund also pays taxes, audit and certain legal fees, registration fees for shares, compensation of board members, corporate filing fees and any other expenses properly payable by the Fund and approved by the board.

Under a separate Transfer Agency Agreement, American Express Client Service Corporation (AECSC) maintains shareholder accounts and records. The Fund pays AECSC an annual fee per shareholder account for this service as follows:

- o Class A \$19.50
- o Class B \$20.50
- o Class Y \$17.50

Under terms of a prior agreement that ended Jan. 31, 1999, the Fund paid a transfer agency fee at an annual rate per shareholder account of \$15.50 for Class A and \$16.50 for Class B. Under terms of a prior agreement that ended March 31, 1999, the Fund paid a transfer agency fee at an annual rate per shareholder account of \$15.50 for Class Y.

The Fund has agreements with American Express Financial Advisors Inc. for distribution and shareholder services. Under a Plan and Agreement of Distribution, the Fund pays a distribution fee at an annual rate of 0.75% of the Fund's average daily net assets attributable to Class B shares. Effective July 1, 1999, the Fund will pay a distribution fee at an annual rate up to 0.25% of the Fund's average daily net assets attributable to Class A shares and up to 1.00% of the Fund's average daily net assets attributable to Class B shares.

Under a Shareholder Service Agreement, the Fund pays a fee for service provided to shareholders by financial advisors and other servicing agents. The fee is calculated at a rate of 0.175% of the Fund's average daily net assets attributable to Class A and Class B shares and 0.10% of the Fund's average daily net assets attributable to Class Y shares. Effective July 1, 1999, the Fund will convert the Shareholder Service Agreement with respect to Class A and Class B shares into the Plan and Agreement of Distribution discussed above.

Sales charges received by American Express Financial Advisors Inc. for distributing Fund shares were \$119,835 for Class A and \$5,257 for Class B for the six months ended May 31, 1999.

AEFC agreed to waive certain fees and to absorb certain other of the Fund's expenses. Under this agreement, the Fund's total expenses, net of earnings credits, could not exceed 0.90% for Class A, 1.66% for Class B and 0.83% for Class Y of the Fund's average daily net assets.

During the six months ended May 31, 1999, the Fund's custodian and transfer agency fees were reduced by \$1,131 as a result of earnings credits from overnight cash balances.

#### 3. SECURITIES TRANSACTIONS

Cost of purchases and proceeds from sales of securities (other than short-term obligations) aggregated \$6,790,120 and \$1,957,485, respectively, for the six months ended May 31, 1999. Realized gains and losses are determined on an identified cost basis.

#### 4. CAPITAL SHARE TRANSACTIONS

Transactions in shares of capital stock for the periods indicated are as follows:



	Six months ended May 31, 1999		
	Class A	Class B	Class Y
Sold	2,263,037	616,426	--
Issued for reinvested distributions	67,881	20,150	4
Redeemed	(1,605,062)	(450,167)	--
	-----	-----	-----
Net increase (decrease)	725,856	186,409	4

	Year ended Nov. 30, 1998		
	Class A	Class B	Class Y
Sold	3,481,871	874,848	--
Issued for reinvested distributions	109,456	34,779	9
Redeemed	(2,919,889)	(635,720)	--
	-----	-----	-----
Net increase (decrease)	671,438	273,907	9

#### 5. CAPITAL LOSS CARRYOVER

For federal income tax purposes, the Fund has a capital loss carryover of \$38,432 as of Nov. 30, 1998, that if not offset by subsequent capital gains, will expire in 2005. It is unlikely the board will authorize a distribution of any net realized gain for the Fund until its capital loss carryover has been offset or expires.

#### 6. BANK BORROWINGS

The Fund has a revolving credit agreement with U.S. Bank, N.A., whereby the Fund is permitted to have bank borrowings for temporary or emergency purposes to fund shareholder redemptions. The Fund must have asset coverage for borrowings not to exceed the aggregate of 333% of advances equal to or less than five business days plus 367% of advances over five business days. The agreement, which enables the Fund to participate with other American Express funds, permits borrowings up to \$200 million, collectively. Interest is charged to each Fund based on its borrowings at a rate equal to the Federal Funds Rate plus 0.30% or the Eurodollar Rate (Reserve Adjusted) plus 0.20%. Borrowings are payable up to 90 days after such loan is executed. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.05% per annum. The Fund had no borrowings outstanding during the six months ended May 31, 1999.

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#### 7. FINANCIAL HIGHLIGHTS

The table below shows certain important financial information for evaluating the Fund's results.

Fiscal period ended Nov 30,

Per share income and capital changesa

	Class A				Class B				Class Y			
	1999c	1998	1997	1996b	1999c	1998	1997	1996b	1999c	1998	1997	1996b
Net asset value, <S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
beginning of period	\$5.14	\$5.09	\$5.04	\$5.00	\$5.14	\$5.09	\$5.04	\$5.00	\$5.13	\$5.09	\$5.04	\$5.00
Income from investment operations:												
Net investment income (loss)	.10	.19	.18	--	.08	.15	.14	--	.11	.19	.18	--
Net gains (losses) (both realized and unrealized)	(.03)	.05	.05	.04	(.04)	.05	.05	.04	(.03)	.05	.05	.04
Total from investment operations	.07	.24	.23	.04	.04	.20	.19	.04	.08	.24	.23	.04
Less distributions:												
Dividends from net investment income	(.10)	(.19)	(.18)	--	(.08)	(.15)	(.14)	--	(.11)	(.20)	(.18)	--
Net asset value, end of period	\$5.11	\$5.14	\$5.09	\$5.04	\$5.10	\$5.14	\$5.09	\$5.04	\$5.10	\$5.13	\$5.09	\$5.04

Ratios/supplemental data

Net assets, end of period

(in millions)	\$24	\$21	\$17	\$2	\$8	\$7	\$6	\$--	\$--	\$--	\$--	\$--
Ratio of expenses to average daily net assets <sup>d</sup>	.92% <sup>e,f</sup>	.92% <sup>e</sup>	.93% <sup>e</sup>	.90% <sup>e,f</sup>	1.68% <sup>e,f</sup>	1.67% <sup>e</sup>	1.68% <sup>e</sup>	1.66% <sup>e,f</sup>	.91% <sup>e,f</sup>	.78% <sup>e</sup>	.80% <sup>e</sup>	.73% <sup>e,f</sup>
Ratio of net investment income (loss) to average daily net assets	3.73% <sup>f</sup>	3.76% <sup>f</sup>	3.60% <sup>f</sup>	3.19% <sup>f</sup>	2.97% <sup>f</sup>	3.01% <sup>f</sup>	2.87% <sup>f</sup>	2.04% <sup>f</sup>	3.89% <sup>f</sup>	3.83% <sup>f</sup>	3.84% <sup>f</sup>	2.32% <sup>f</sup>
Portfolio turnover rate (excluding short-term securities)	6%	7%	24%	--	6%	7%	24%	--	6%	7%	24%	--
Total return <sup>g</sup>	1.25%	4.85%	4.44%	.96%	.87%	4.07%	3.67%	.92%	1.45%	4.78%	4.57%	97%

a For a share outstanding throughout the period. Rounded to the nearest cent.

b Inception date was Nov. 13, 1996.

c Six months ended May 31, 1999 (Unaudited).

d Expense ratio is based on total expenses of the Fund before reduction of earnings credits on cash balances. e AEFC voluntarily limited total operating expenses, net of earnings credits, for the Fund. Had AEFC not done so, the annual ratios of expenses would have been 0.97%, 0.96%, 1.49% and 48.94% for Class A, 1.73%, 1.71%, 2.17% and 55.07% for Class B and 0.97%, 0.88%, 1.70% and 83.81% for Class Y for the periods ended 1999, 1998, 1997, and 1996, respectively.

f Adjusted to an annual basis.

g Total return does not reflect payment of a sales charge.

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#### Investments in Securities

AXP Intermediate Tax-Exempt Fund

May 31, 1999 (Unaudited)

(Percentages represent value of investments compared to net assets)

#### Municipal bonds (98.2%)

Name of issuer and title of issue(b,c)	Coupon rate	Principal amount	Value(a)
Alabama (1.2%)			
Special Care Facilities Finance Authority Revenue Bonds Lanier Memorial Hospital Series 1997A			
<S>	<C>	<C>	<C>
11-01-01	5.50%	\$390,000	\$401,723
Alaska (3.9%)			
Anchorage Light & Power Senior Lien Electric Utilities Refunding Revenue Bonds Series 1996C (AMBAC Insured)			
12-01-99	4.10	100,000	100,447
Anchorage Unlimited Tax General Obligation Bonds Series 1992 (MBIA Insured)			
08-01-01	5.85	425,000	443,267
Industrial Development & Exploration Authority Electric Power Revenue Bonds Upper Lynn Canal Regional Power Series 1997 A.M.T.			
01-01-02	5.00	705,000	701,439
Total			1,245,153
California (2.9%)			
Lake Elsinore School Financing Authority Revenue Bonds Series 1997			
09-01-02	5.10	205,000	211,244
09-01-03	5.20	220,000	228,309
Long Beach Harbor Revenue Bonds Series 1993 A.M.T.			
05-15-02	4.50	500,000	508,176
Total			947,729
Colorado (2.9%)			
Arvada Urban Renewal Authority Tax Allocation Refunding Revenue Bonds Series 1997A (MBIA Insured)			
09-01-02	5.25	200,000	207,492
Denver City & County Airport Revenue Bonds Series 1996 (MBIA Insured) A.M.T.			

11-15-00	4.80	500,000	508,620
Highlands Ranch District 3 Douglas County (ACA Insured)			
12-01-01	4.30	200,000	201,000
Total			917,112
Connecticut (1.0%)			
State Development Authority Refunding Revenue Bonds Church Homes Incorporated 1st Mortgage Gross Health Care Series 1997			
04-01-00	4.65	200,000	201,122
State Unlimited General Obligation Bonds Series 1995A			
03-15-00	5.00	130,000	131,906
Total			333,028
District of Columbia (1.5%)			
Fixed Rate Revenue Bonds National Academy of Sciences Series 1999A (AMBAC Insured)			
01-01-05	4.00	500,000	490,165
Florida (8.0%)			
Grand Haven Community Development District Special Assessment Bonds Flagler County Series 1997A			
05-01-02	6.30	300,000	305,715
Heritage Palms Community Development District Capital Improvement Revenue Bonds Series 1998			
11-01-03	5.40	400,000	395,960
Hillsborough County Industrial Development Authority Health Facilities Revenue Bonds University Community Hospital Series 1999A			
08-15-03	4.50	500,000	497,470
Lakewood Ranch Community Development District 1 Manatee County Benefit Special Assessment Bonds Series 1998			
05-01-17	7.30	250,000	254,495
North Springs Improvement Special Assessment District Revenue Bonds Parkland Isles Series 1997B			
05-01-05	6.25	500,000	508,040
State Ports Financing Commission Port District Revenue Bonds Series 1996 (MBIA Insured) A.M.T.			
06-01-03	4.60	100,000	102,001
Stoneybrook Community Development District Capital Improvement Revenue Bonds Lee County Series 1998B			
05-01-08	5.70	500,000	496,185
Total			2,559,866
Georgia (0.9%)			
Clarke County Hospital Authority Hospital Revenue Certificates Series 1996 (MBIA Insured)			
01-01-01	5.00	150,000	152,889
Dalton Development Authority Revenue Certificates Series 1996 (MBIA Insured)			
08-15-04	4.63	125,000	127,810
Total			280,699
Hawaii (0.6%)			
State Housing Finance & Development Single Family Mortgage Revenue Bonds Series 1998A A.M.T.			
07-01-01	4.25	200,000	199,598
Illinois (6.4%)			
Chicago Unlimited General Obligation Refunding Bonds Series 1996B (FGIC Insured)			
01-01-00	5.00	130,000	131,326
Chicago Unlimited Tax General Obligation Refunding Bonds Series 1996B (FGIC Insured)			
01-01-02	6.00	520,000	545,340
Dundee Township Open Space General Obligation Bonds Series 1997 (FSA Insured)			
12-01-02	4.40	250,000	252,948
Health Facility Authority Nursing Home Refunding Revenue Bonds Covenant Retirement Communities Series 1998			
12-01-00	4.20	415,000	416,390
McDonough County Hospital District Hospital Facility Refunding Revenue Bonds			

Series 1998			
07-01-01	4.35	200,000	200,508
North Chicago Unlimited General Obligation Refunding Bonds Series 1996 (FGIC Insured)			
01-01-01	4.60	200,000	202,492
State Educational Facilities Authority Revenue Bonds Lewis University Series 1996			
10-01-03	5.10	140,000	144,313
State Health Facilities Authority Hospital Refunding Revenue Bonds Series 1996A			
08-15-03	5.00	125,000	128,129
Total			2,021,446
Indiana (1.7%)			
Ball State University Board of Trustees Refunding Revenue Bonds Student Fee Series 1999 (FGIC Insured)			
07-01-04	4.00	320,000	317,085
Health Facility Finance Authority Hospital Revenue Bonds Jackson County Schneck Memorial Hospital Series 1998			
02-15-00	4.15	100,000	100,137
State Transportation Finance Authority Airport Facility Lease Refunding Revenue Bonds Series 1996A (AMBAC Insured)			
11-01-03	4.50	125,000	127,559
Total			544,781
Iowa (0.6%)			
Higher Education Loan Authority Refunding Revenue Bonds Luther College Series 1997			
09-01-99	4.40	200,000	200,258
Kansas (0.6%)			
State Development Finance Authority Health Facilities Revenue Bonds Hays Medical Center Series 1997B (MBIA Insured)			
11-15-00	5.00	200,000	204,466
Louisiana (1.8%)			
Jefferson Parish Home Mortgage Authority Single Family Revenue Bonds Series 1997A (GNMA & FNMA Insured) A.M.T.			
06-01-07	4.90	260,000	263,957
State Public Facilities Authority College Revenue Bonds Series 1997			
02-01-03	5.10	100,000	102,618
State Unlimited Tax General Obligation Refunding Bonds Series 1996A			
08-01-02	6.00	200,000	212,170
Total			578,745
Maine (0.3%)			
State Technical College System Certificates of Participation Series 1997 (MBIA Insured)			
01-01-02	4.80	100,000	101,923
Massachusetts (4.1%)			
State Education Finance Authority Student Loan Refunding Revenue Bonds Issue E Series 1999A A.M.T.			
07-01-05	4.10	500,000	491,520
State Health & Education Facilities Authority Hospital Revenue Bonds Caritas Christi Obligation Group Series 1999A			
07-01-04	5.25	500,000	511,030
State Health & Education Facilities Authority Hospital Revenue Bonds Milford-Whitinsville Regional Hospital Series 1998C			
07-15-01	5.00	300,000	304,614
Total			1,307,164
Michigan (6.5%)			
Chippewa County Finance Authority Hospital Refunding Revenue Bonds Chippewa County War Memorial Hospital Series 1997B			
11-01-01	4.75	200,000	202,128

Concord Academy Certificate of Participation Series 1998			
10-01-03	5.70	175,000	173,528
Countryside Charter School			
Full Term Certificates of Participation			
Berrien County Series 1999			
04-01-04	5.70	145,000	144,443
Garden City Hospital Finance Authority			
Hospital Revenue Bonds Series 1998			
09-01-03	5.38	200,000	200,676
Livingston Developmental Agency			
Certificates of Participation Series 1999			
05-01-05	5.70	145,000	144,920
State Hospital Finance Authority			
Refunding Revenue Bonds			
Chelsea Community Hospital			
Series 1998			
05-15-01	4.50	200,000	200,978
State Hospital Finance Authority			
Revenue Bonds Series 1997			
01-01-00	5.60	135,000	136,197
State Trunk Line Fuel Sales Tax			
Refunding Revenue Bonds 1st Series 1992B			
10-01-99	5.10	100,000	100,616
Summit Academy Certificates of Participation			
Junior High School Facility Series 1999			
09-01-04	5.70	260,000	258,578
Summit Academy Certificates of Participation			
Series 1998			
09-01-04	5.70	500,000	497,266
Total			2,059,330
Minnesota (5.2%)			
Crow Finance Authority Tribal Purpose			
Revenue Bonds Series 1998			
10-01-02	5.00	315,000	321,580
Hastings Healthcare Tax-Exempt Nursing Home			
Revenue Bonds Regina Medical Center (ACA Insured)			
09-15-03	4.30	285,000	284,498
Minneapolis Community Development Agency			
Limited Tax Supported Development Revenue			
Common Fund Bonds Series 1997			
06-01-99	4.70	160,000	160,026
Minneapolis Community Development Agency			
Limited Tax Supported Development Revenue			
Common Fund Bonds Series 1997 A.M.T.			
06-01-99	4.90	205,000	205,038
06-01-00	5.10	215,000	218,294
State Higher Education Facilities Authority			
Mortgage Revenue Bonds			
Augsburg College Series 1999 4-Y			
10-01-04	4.40	250,000	247,713
10-01-05	4.40	250,000	245,940
Total			1,683,089
Mississippi (0.9%)			
Jackson Airport Authority Revenue Bonds			
(AMBAC Insured) A.M.T.			
12-01-01	6.25	135,000	142,154
12-01-02	6.25	145,000	154,748
Total			296,902
Missouri (1.6%)			
Kansas City Water Revenue Bonds Series 1996B			
12-01-99	5.75	100,000	101,272
State Health & Educational Facility Authority			
Hospital Revenue Bonds Series 1993A			
05-15-02	4.50	125,000	126,538
West Plains Industrial Development Authority			
Hospital Revenue Bonds Ozarks Medical Center			
11-15-01	4.60	290,000	292,473
Total			520,283
Nevada (0.3%)			
Washoe County Limited General Obligation			
Refunding Bonds Series 1993B (AMBAC Insured)			
09-01-00	4.80	100,000	101,791
New Hampshire (0.3%)			
State Business Finance Authority Resource			
Recovery Revenue Bonds (MBIA Insured)			
07-01-01	4.65	100,000	101,578

New Mexico (4.0%)				
Sandoval County Multi-family Housing				
Refunding Revenue Bonds Meadowlark Apartments				
Series 1998B A.M.T.				
07-01-01	6.38	600,000	600,535	
Santa Fe County Lifecare Revenue Bonds				
El Castillo Retirement Series 1998A				
05-15-04	5.00	200,000	199,996	
Santa Fe Educational Facilities College				
Improvement Refunding Revenue Bonds Series 1997				
10-01-03	5.20	235,000	242,905	
10-01-04	5.30	245,000	255,025	
Total			1,298,461	
New York (7.7%)				
New York City Unlimited General Obligation Bonds				
Series 1997G				
10-15-00	5.00	100,000	102,130	
08-01-02	5.00	300,000	304,569	
10-15-02	5.00	200,000	206,781	
New York City Unlimited Tax				
General Obligation Bonds Series 1999F				
08-01-04	4.00	500,000	493,540	
State Dormitory Authority Federal Housing				
Authority Insured Hospital Revenue Bonds				
Series 1996 (AMBAC Insured)				
02-01-01	5.00	125,000	127,501	
State Dormitory Authority Health Care Revenue Bonds				
Mental Health Services Facilities Series 1997B				
08-15-02	5.00	500,000	513,844	
State Environmental Facilities Corporation				
Special Obligation Lease Refunding Revenue Bonds				
Series 1996 (AMBAC Insured)				
04-01-01	4.60	200,000	203,282	
State Mortgage Agency Single Family Housing				
Revenue Bonds Series 1998 A.M.T.				
04-01-01	4.15	500,000	501,895	
Total			2,453,542	
North Carolina (0.3%)				
Union City Unlimited General Obligation Bonds				
Series 1996B (MBIA Insured)				
05-01-01	5.25	100,000	102,883	
North Dakota (1.8%)				
State Housing Finance Agency Home Mortgage Finance				
Revenue Bonds Single Family Housing				
Series 1998A A.M.T.				
01-01-01	4.20	200,000	200,066	
07-01-01	4.20	275,000	275,121	
Ward County Health Care Facilities				
Revenue Bonds Series 1996A				
07-01-03	5.40	100,000	103,483	
Total			578,670	
Ohio (4.8%)				
Akron Bath Copley Joint Township Hospital District				
Revenue Bonds Summa Hospital				
Series 1998A				
11-15-03	4.50	500,000	496,720	
Carroll Water & Sewer District				
Unlimited Tax General Obligation Bonds				
12-01-10	6.25	235,000	246,343	
Cleveland Cuyahoga County Port Authority				
Refunding Revenue Bonds				
Sub Rock & Roll Hall of Fame				
12-01-02	5.10	300,000	306,504	
Sandusky County Hospital Facilities Refunding				
Revenue Bonds Memorial Hospital				
01-01-00	4.40	500,000	501,545	
Total			1,551,112	
Oklahoma (0.8%)				
Enid Municipal Authority Sales Tax & Utility				
Refunding Revenue Bonds				
Series 1996 (AMBAC Insured)				
02-01-00	4.50	250,000	252,123	
Pennsylvania (5.8%)				
Clarion County Hospital Authority				

Hospital Refunding Revenue Bonds				
Clarion Hospital Series 1997				
07-01-00	4.60	200,000		200,892
07-01-01	4.75	200,000		201,238
Commonwealth of Pennsylvania Unlimited General				
Obligation Bonds 3rd Series 1993				
09-01-00	4.50	150,000		152,100
Cumberland County Municipal Authority				
Nursing Home Revenue Bonds Series 1996				
12-01-03	5.35	125,000		127,283
Delaware County Industrial Development Authority				
Pollution Control Refunding Revenue Bonds Series 1997A				
01-01-01	5.30	500,000		504,374
New Wilmington Municipal Authority				
College Revenue Bonds				
Westminster College Series 1998				
03-01-00	4.30	190,000		190,808
State Higher Educational Facilities Authority				
Revenue Bonds UPMC Health System				
Series 1999A				
08-01-05	4.05	500,000		488,855
Total				1,865,550
Rhode Island (0.6%)				
State Refunding Certificates of Participation				
Series 1997 (MBIA Insured)				
10-01-02	4.70	200,000		204,028
South Dakota (1.1%)				
Sioux Falls Health Facilities				
Hospital Revenue Bonds				
Evangelical Lutheran Good Samaritan Society				
Series 1998B (AMBAC Insured)				
06-01-01	4.45	200,000		200,494
Sioux Falls Sales Tax Revenue Bonds				
Series 1996A (AMBAC Insured)				
11-15-04	5.00	150,000		156,248
Total				356,742
Tennessee (1.6%)				
Knox County Unlimited Tax General				
Obligation Bonds Series 1997				
02-01-03	4.45	500,000		508,520
Texas (7.8%)				
Denison Hospital Authority Revenue Bonds Series 1997				
08-15-02	5.45	255,000		260,936
Harris County Municipal Utilities District 196				
Water & Sewer Revenue Bonds Series 1998				
09-01-03	4.40	140,000		139,486
09-01-05	4.50	155,000		154,202
Harris County Municipal Utilities District 230				
Unlimited Tax General Obligation Bonds				
Series 1999				
09-01-03	4.20	140,000		138,477
09-01-04	4.30	150,000		147,924
09-01-05	4.40	160,000		157,294
Houston Water & Sewer System Junior Lien				
Refunding Revenue Bonds Series 1992C (MBIA Insured)				
12-01-99	5.10	100,000		100,923
Houston Water & Sewer System Prior Lien				
Refunding Revenue Bonds Series 1992B (MBIA Insured)				
12-01-02	5.75	500,000		529,379
Houston Water & Sewer System Refunding Revenue Bonds				
Series 1992B				
12-01-99	5.25	250,000		252,418
Hutto Independent School District Unlimited Tax				
School Building & Refunding Bonds				
Series 1997 (Permanent School Fund Guarantee)				
02-01-00	4.40	100,000		100,794
Tyler Health Facility Development Hospital Revenue Bonds				
Mother Frances Hospital Series 1997A				
07-01-99	5.00	200,000		200,264
Webb County Certificates of Participation				
Series 1997A (Asset Guaranty)				
10-01-00	4.45	300,000		303,279
Total				2,485,376
Utah (2.0%)				
Granger & Hunter Improvement District				
Water & Sewer Refunding Revenue Bonds				

Series 1998 (FSA Insured)				
03-01-00	4.00	300,000		301,623
Salt Lake City College Revenue Bonds				
Westminster College Series 1997				
10-01-00	4.50	185,000		186,719
Salt Lake City School District Unlimited General				
Obligation Bonds Series 1995A				
03-01-01	5.25	150,000		154,050
Total				642,392

Virginia (0.3%)

Chesapeake Individual Development Authority				
Public Facility Lease Revenue Bonds				
Series 1996 (MBIA Insured)				
06-01-03	4.80	100,000		102,563

Washington (3.8%)

Spokane County Airport Revenue Bonds				
Passenger Facilities Charge				
Series 1999A (AMBAC Insured)				
10-01-04	4.00	500,000		495,475
State Higher Education Facilities Authority				
Refunding Revenue Bonds				
University of Puget Sound				
10-01-01	5.00	200,000		204,710
State Housing Finance Commission				
Single Family Program Bonds				
(FNMA Insured) A.M.T.				
06-01-01	4.35	205,000		204,469
State Public Power Supply System Nuclear Project 3				
Refunding Revenue Bonds Series 1993B				
07-01-02	5.15	300,000		309,576
Total				1,214,230

West Virginia (0.3%)

State Facility Authority Community Building				
Series 1997A (MBIA Insured)				
07-01-02	5.00	100,000		103,142

Wisconsin (1.7%)

State Health & Educational Facilities Authority				
College Revenue Bonds				
Carroll College Series 1998				
10-01-00	4.30	200,000		200,962
State Health & Educational Facilities Authority				
Nursing Home Revenue Bonds				
St. John's Home of Milwaukee & Sunrise Care Center				
Series 1997				
12-15-01	4.70	100,000		101,122
State Health & Educational Facilities Authority				
Revenue Bonds Meriter Hospital Series 1996				
12-01-99	4.65	100,000		100,657
State Health & Educational Facilities Authority				
Revenue Bonds Series 1996 (MBIA Insured)				
12-01-04	4.75	150,000		153,797
Total				556,538

Wyoming (0.6%)

Teton County School District 1 Public Facilities				
Joint Powers				
06-01-01	4.20	200,000		201,328

Total municipal bonds

(Cost: \$31,294,208) \$31,574,029

Municipal notes (2.5%)

Issuer(c,d)	Effective yield	Amount payable at maturity	Value (a)
New York City Series 1994B2			
08-15-11	3.30%	\$100,000	\$100,000
Texas Gulf Coast Waste Disposal Authority			
(Amoco) Pollution Control Refunding Revenue Bonds			
Series 1992			
10-01-17	3.30	100,000	100,000
University of Michigan Refunding Revenue Bonds			
Hospital Series 1992A V.R.			
12-01-19	3.30	400,000	400,000
University of Michigan Refunding Revenue Bonds			



Hospital Series 1995A V.R. 12-01-27	3.30	100,000	100,000
Valdez Alaska Marine Terminal (Exxon Pipeline) Series 1985 V.R. 10-01-25	3.30	100,000	100,000
Total municipal notes (Cost: \$800,000)			\$800,000
Total investments in securities (Cost: \$32,094,208) (e)			\$32,374,029

See accompanying notes to investments in securities.  
</TABLE>

Notes to investments in securities

(a) Securities are valued by procedures described in Note 1 to the financial statements.

(b) The following abbreviations may be used in portfolio descriptions to identify the insurer of the issue:

ACA -- ACA Financial Guaranty Corporation  
 AMBAC -- American Municipal Bond Association Corporation  
 BIG -- Bond Investors Guarantee  
 CGIC -- Capital Guaranty Insurance Company  
 FGIC -- Financial Guarantee Insurance Corporation  
 FHA -- Federal Housing Authority  
 FNMA -- Federal National Mortgage Association  
 FSA -- Financial Security Assurance  
 GNMA -- Government National Mortgage Association  
 MBIA -- Municipal Bond Investors Assurance

(c) The following abbreviations may be used in the portfolio descriptions:

A.M.T. -- Alternative Minimum Tax -- As of May 31, 1999, the value of securities subject to alternative minimum tax represented 16.41% of net assets.  
 B.A.N. -- Bond Anticipation Note  
 C.P. -- Commercial Paper  
 R.A.N. -- Revenue Anticipation Note  
 T.A.N. -- Tax Anticipation Note  
 T.R.A.N. -- Tax & Revenue Anticipation Note  
 V.R. -- Variable Rate  
 V.R.D.B. -- Variable Rate Demand Bond  
 V.R.D.N. -- Variable Rate Demand Note

(d) The Fund is entitled to receive principal amount from issuer or corporate guarantor, if indicated in parentheses, after a day or a week's notice. The maturity date disclosed represents the final maturity. Interest rate varies to reflect current market conditions; rate shown is the effective rate on May 31, 1999.

(e) At May 31, 1999, the cost of securities for federal income tax purposes was approximately \$32,094,000 and the approximate aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	\$343,000
Unrealized depreciation	(63,000)
	-----
Net unrealized appreciation	\$280,000

Quick telephone reference

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 Sales and exchanges, dividend payments or reinvestments and automatic payment arrangements: 800-437-3133

AMERICAN EXPRESS CLIENT SERVICE CORPORATION  
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TICKER SYMBOL  
 Class A: INFAX Class B: N/A Class Y: N/A

S-6324 D (7/99)

BULK RATE  
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AXP Intermediate Tax-Exempt Fund  
IDS Tower 10  
Minneapolis, MN 55440-0010

AMERICAN EXPRESS Financial Advisors