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CHAIRMAN JIM SAXTON

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NEW STUDY SHOWS NEED FOR MIDDLE CLASS INVESTOR TAX RELIEF

-- Mutual Fund Investors Hit Hard By Current Tax Law --

WASHINGTON, D.C. –The current method of taxing mutual fund investors is discriminatory, unfair, and economically counterproductive, according to a new study released today by incoming Joint Economic Committee Chairman Jim Saxton. The study, *The Taxation of Mutual Fund Investors: Performance, Saving and Investment*, highlights a defect in the tax law that imposes capital gains taxes on mutual fund investors even when their unsold shares plunge in value, as many did last year.

“This study shows the need to change the tax law so that it does not impose punitive taxes on ordinary middle-class taxpayers attempting to save for retirement, education, medical, and other needs,” Saxton said. “This feature of the tax law is one of the worst examples of how our tax system is biased against personal saving and investment, and is literally economically counterproductive.

“Last year, many millions of ordinary Americans watched in disbelief as their hard-earned mutual fund investments plummeted in value. This year, they were even more incredulous when they received their statements informing them they owed hundreds or even thousands of dollars in capital gains taxes on their mutual fund investments that fell 20, 30, or even 40 percent. The widespread revulsion this has caused has been the subject of a number of articles in major newspapers in recent weeks.

“Now is the time to fix this tax problem and protect taxpayers from being whipsawed again in the future. Legislation addressing this problem has been introduced and would provide tax relief to all affected taxpayers, totally eliminating this problem for about 85 percent of all mutual fund shareholders.

“For each ten thousand dollars invested, most taxpayers would receive benefits of \$15,000 over a 30-year period, after taxes. The miracle of compounding not only would raise investor returns, but ultimately also would boost government revenues when the mutual fund shares are actually sold. This legislation, H.R. 168, would provide a deferral of taxes through a partial income exclusion of capital gain distributions made by mutual funds. Most taxpayers would not even have to report these distributions on their tax forms, and record-keeping would be quite simple and straightforward,” Saxton concluded.

For more information on taxation and mutual fund investors, please visit our website at www.house.gov/jec.

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