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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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MUTUAL FUND SHAREHOLDER TAX BILL TO BE INTRODUCED SOON – Partial Exclusion of Capital Gains Distributions Needed –

WASHINGTON, D.C. – Legislation to curtail excessive taxation of middle class mutual fund owners will be introduced this week, Vice Chairman Jim Saxton of the Joint Economic Committee announced today. Saxton's bill would provide an income exclusion for a portion of involuntary capital gains distributions received by mutual fund shareholders on which they currently are subject to annual tax liability. It would also limit the potential for excess taxation. As nationally known investment consultant Ric Edelman has pointed out, the current tax situation is confusing enough that often shareholders "pay taxes twice on their mutual fund profits."

"This legislation would remove yet another feature of our tax code that is biased against middle class saving and investment," Saxton said. "Americans who are saving and investing should not be penalized by the tax system, whether they are saving for retirement, education, health care, or other purposes.

"Under my bill, middle class mutual fund shareholders would usually not be subject to income tax on capital gains distributions made by mutual funds. Under current law, if these shareholders have not sold any shares, and have even held shares only for a very short time, they can still be slammed with a tax on capital gains they have not realized. This reduces the rate of return on their investment as well as their wealth. The current tax treatment of capital gains distributions is counterproductive and unfair.

"With over half of American households now invested in the financial markets, tens of millions of ordinary people are subject to the anti-saving and anti-investment bias in the tax system. This legislation is geared to lift one of the layers of multiple taxation on personal saving and investment. This bill would encourage thrift, personal responsibility, financial independence, and retirement security.

"This legislation is designed to begin a debate over the current tax treatment of capital gains distributions. Given the many millions of American families who are adversely affected by the current tax law, I am confident that this is a policy change that can be made in the foreseeable future," Saxton concluded.

For more information on personal saving and taxation, please see the JEC website at www.house.gov/jec.

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