



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
September 10, 2001

Press Release #107-41
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Administration Support For Tax Deferral Sought

The President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

Given the economic situation, I was encouraged to see recent indications that the Administration was open to the consideration of capital gains tax incentives. I think that you would find many members of Congress receptive to such proposals.

In this vein, I am writing today to suggest an Administration review of the tax treatment of capital gain distributions to mutual fund owners. Under current law, tens of millions of mutual fund owners must pay tax on these distributions even though they have not sold any of their mutual fund shares. In fact, this year many millions of middle-class taxpayers have been subject to large tax liabilities on capital gain distributions even though the shares they continue to hold have fallen sharply in value. Unfortunately, it appears likely that many middle-class investors may find themselves in this same tax situation next year as well.

This issue is addressed in H.R. 168, a bill I have introduced with many cosponsors to limit this unfair and counterproductive taxation of capital gain distributions. Essentially, within certain limits, most mutual fund shareholders would not be subject to capital gains taxation until they actually redeem their mutual fund shares. This amounts to a limited tax deferral that increases the rate of return to these savers and investors, but eventually is subject to taxation. Recently I had an opportunity to discuss this proposal with Chairman Hubbard of your Council of Economic Advisers (CEA), and he seemed to recognize the merits of this initiative.

It would be a pleasure to have an opportunity to discuss this proposal in detail with you or your staff at the earliest opportunity. Thank you for your consideration.

Respectfully yours,

Jim Saxton
Chairman

For more information on taxation of capital gains distributions, see the recent JEC study, *Taxation of Mutual Fund Investors: Performance, Saving and Investment*, available on our website at www.house.gov/jec.

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