



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
April 22, 2004

NEW LIPPER STUDY BACKS DEFERRAL OF MUTUAL FUND CAPITAL GAIN DISTRIBUTIONS

Press Release #108-119
Contact: Christopher Frenze
Chief Economist to the V.C.
(202) 225-3923
Stephen Thompson
Radio & T.V.
(202) 225-4765

WASHINGTON, D.C. – A new study released by Lipper, Inc. examining the taxation of mutual fund investors was welcomed today by Vice Chairman Jim Saxton of the Joint Economic Committee (JEC). The Lipper study, *Taxes in the Mutual Fund Industry--2004*, finds that taxes are the largest drag on shareholder returns over the long run. Several years ago Saxton developed and introduced the first legislation providing for tax deferral on reinvested capital gain distributions made by mutual funds to individual shareholders.

The new Lipper study corroborates a JEC study Saxton released recently, *Providing Tax Equity to Mutual Fund Investors: Changing the Tax Treatment of Capital Gain Distributions*. In addition to extensively documenting the negative impact of taxes on mutual fund shareholders' returns, the Lipper study also finds that "renewed focus on capital gains deferral legislation would benefit both the average investor and the U.S. government."

"This new study released by Lipper is a treasure trove of information on the taxation of mutual fund investors," Saxton said. "This study confirms the heavy impact of taxes in reducing the returns of mutual fund investors. One of the worst aspects of these taxes is the way capital gain distributions are taxed.

"Even if a mutual fund investor sells no mutual fund shares and arranges, as is typical, to reinvest all capital gain distributions, he or she will still be subject to capital gains taxes. Unfortunately, this can happen even if the value of these mutual fund shares declines. My legislation, H.R. 496, would address this tax issue by providing for a deferral of these capital gain distributions within liberal limits," Saxton concluded.

For a copy of the recent JEC study, or more information on taxation of mutual fund investors, please visit our website at www.house.gov/jec.