



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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## MIDDLE CLASS INVESTORS FACE LARGE TAX BITE

– High Mutual Fund Distributions Planned Amidst Falling Share Prices –

WASHINGTON, D.C. – Many millions of middle class investors face the likelihood of large tax bills on capital gains distributions made by mutual funds at the end of 2000, even though the share prices of many mutual funds actually plunged over the year, Vice Chairman Jim Saxton warned today. For example, one fund, despite the fact that its share value plunged 47 percent, announced capital gains distributions amounting to 55 percent of share value. The problem is that due to a quirk in the tax law, many middle class investors will have to pay significant capital gains taxes on such distributions despite the fact that the value of their investments actually declined sharply.

“Millions of middle class investors are about to get a nasty shock from tax notices telling them they owe significant capital gains taxes despite severe losses in investment values,” Saxton said. “While some investor publications have also been warning of this problem, it appears that many middle class investors will be caught unprepared. When the IRS form 1099s start arriving in a few weeks, many middle class investors will be outraged at the discrepancy between their capital gains taxes and the decline in the value of their investments.

“This unfair tax treatment is the reason I introduced H.R. 4723, a bill to shield most middle class investors against immediate taxation of capitals gains realized by mutual funds based on decisions of fund managers. The problem is not created by the mutual funds, but by an unfair quirk in the tax law that subjects mutual fund investors to taxation on involuntary distributions of capital gains realized by the mutual funds.

“I am pleased this legislation has been supported by important elements of the House leadership in this Congress. I plan to reintroduce this bill immediately upon the opening of the new Congress in the first week of January. This bill is in the interest of tens of millions of mutual fund investors across the country, and several of the largest mutual funds in the U.S. are also supportive,” Saxton concluded.

For more research on personal finance, mutual fund investments and taxation, please visit our website at [www.house.gov/jec](http://www.house.gov/jec) and see our study, [Encouraging Personal Saving and Investment: Changing the Tax Treatment of Unrealized Capital Gains](#).

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