



# INVESTMENT COMPANY INSTITUTE

BY HAND AND ELECTRONIC DELIVERY

November 30, 2001

The Honorable Jim Saxton  
Chairman  
Joint Economic Committee  
339 Cannon House Office Building  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

On behalf of millions of mutual fund shareholders, we write to seek your support for legislation that would permit shareholders to defer tax on reinvested capital gains distributions.

The economic stimulus package that Congress is now considering is intended to strengthen our economy and reinforce public confidence in our nation's future. We support these important goals. As part of the economic stimulus package, we urge you to consider a measure that would (1) defer certain taxes on the savings of tens of millions of middle-income taxpayers, (2) quickly free substantial funds for consumers, and (3) encourage long-term investment in our economy.

Mutual fund shareholders are overwhelmingly middle-income Americans saving for retirement or their children's education. Today, millions of them are required to pay an annual, long-term capital gains tax even though they take no action to realize capital gains and receive no cash with which to pay taxes on such gains. Because nearly all reinvest these long-term gains, they are understandably frustrated that a tax still occurs.

Deferring the annual long-term capital gains tax when gains are reinvested would be a popular and effective element of the economic stimulus plan. It would put money into the hands of millions of middle-income Americans beginning in the first quarter of 2002. They would either send smaller checks to the IRS or receive larger refunds. Once they choose to sell their fund shares, the tax would be due. Deferral postpones the tax payment; it does not eliminate it.

Deferring this tax will benefit millions of middle-income Americans and encourage long-term investment in the economy. At the same time, it can stimulate broad-based economic growth.

Whether you determine that it is feasible to consider the tax deferral proposal for mutual fund shareholders as part of the stimulus plan, or that it instead merits consideration in the next session of Congress, we stand ready to assist you. We strongly believe that this proposal is right for middle-income investors and it is right for America.

Sincerely,

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