



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

Congressman Jim Saxton  
Ranking Republican Member

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## PRESS RELEASE

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For Immediate Release  
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### MUTUAL FUND SHAREHOLDERS HIT BY HIGHER TAXES

Press Release #110-11  
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**WASHINGTON, D.C.** – Mutual fund shareholders’ taxes on long-term capital gain distributions jumped 84 percent between 2005 and 2006, according to a new study by respected research firm Lipper Inc. The study, *Taxes in the Mutual Fund Industry—2007: Assessing the Impact of Taxes on Shareholders’ Returns*, estimates that mutual fund shareholders’ long-term capital gains increased from \$126.7 billion in 2005 to \$233.8 billion in 2006.

The study also calculates a \$14.6 billion 2006 tax burden borne by mutual fund shareholders -- \$11.7 billion of this due to long-term capital gains -- and notes, “Considering most mutual fund investors reinvest their distributions back into the funds, that is a large price to pay for a buy-and-hold strategy.”

Congressman Jim Saxton, ranking member of the Joint Economic Committee, has introduced legislation (H.R. 397) providing for a limited tax deferral of reinvested long-term capital gain distributions. According to the Lipper study, “renewed focus on capital gains deferral legislation would benefit both the average investor and the U.S. government. Both would benefit from the power of compounding by keeping more money at work.”

Saxton made the following statement on the Lipper study:

“Under current law, if shareholders do nothing more than buy and hold mutual fund shares, they will be hit with significant taxes on long-term capital gains realized by the fund, even if they are immediately reinvested by the fund. This should be changed by the enactment of legislation to defer most or all taxes on long-term capital gains until after the sale of the mutual fund shares by shareholders. The tax burden on mutual fund shareholders is rising as mutual funds continue to realize net capital gains. This study documents the fact that excessive taxes on mutual fund shareholders are a major drag on performance and thus an impediment to saving and investment.”

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