



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

**Congressman Jim Saxton
Ranking Republican Member**

PRESS RELEASE

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MUTUAL FUND SHAREHOLDERS SLAMMED AGAIN BY HIGHER TAXES -- DAMAGE WOULD RISE WITH INCREASING CAPITAL GAINS RATE --

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WASHINGTON, D.C. -- Mutual fund shareholders' taxes on long-term capital gain distributions increased to \$16.7 billion in tax year 2007, according to a new study by respected research firm Lipper Inc. As the Lipper study 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!!!" The study, *Taxes in the Mutual Fund Industry—2008*, estimates that mutual fund shareholders' taxable and nontaxable long-term capital gains increased from \$233.8 billion in 2006 to \$334.0 billion in 2007.

Congressman Jim Saxton, ranking member of the Joint Economic Committee, made the following statement on the Lipper findings:

"The tax law should be changed to permit mutual fund shareholders to defer most or all taxes on reinvested long-term capital gain distributions until the mutual fund shares are sold. Under current law, if shareholders do nothing more than buy and hold mutual fund shares, they will be hit with taxes on long-term capital gains realized by the fund, even if they are immediately reinvested by the fund.

"As the new study shows, the tax burden on mutual fund shareholders is rising as mutual funds continue to realize net capital gains. According to the study, 'Taxes took a large bite out of taxable mutual fund investors' returns in 2007.' This tax burden is a drag on saving and investment, and will get much worse if tax rates on capital gains are allowed to increase in coming years," Saxton concluded.

Saxton has introduced a bill, H.R. 397, that would provide a shareholder tax deferral for most reinvested long-term capital gain distributions made by mutual funds.

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