



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
November 15, 2001

Press Release # 107-50
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TAX FAIRNESS NEEDED FOR MUTUAL FUND INVESTORS

-- Most Mutual Fund Owners are Middle-Income Earners --

WASHINGTON, D.C. – The boom in mutual funds ownership over the last 20 years has made mutual funds a primary investment for many middle-class households, according to a new study released today by Chairman Jim Saxton of the Joint Economic Committee (JEC). Despite the popularity of mutual fund investments, however, mutual fund investors remain subject to inequitable taxation of capital gains distributions. The new study, *Mutual Fund Investors: A Reflection of Middle America*, shows how the proportion of households owning mutual funds has grown from less than 10 percent in 1980 to about half in recent years.

“Over the last decades the number and proportion of American households owning financial investments have skyrocketed,” Saxton said. “Mutual funds have made it possible for almost anyone to become an investor, and this has revolutionized the American economy. The new investor class includes most middle-income households, and they find mutual fund investments attractive due to their diversification, professional management, and liquidity.

“There is, however, a tax problem related to mutual fund ownership. Fund shareholders who have not sold shares are nevertheless liable for taxes on capital gains distributions made by mutual funds. These capital gains taxes must be paid even if the value of the unsold shares decline. Last year many middle-class shareholders were caught in this tax trap. Mutual fund shareholders should not have to pay capital gains taxes until they choose to sell their shares, as is the case with investors holding common stock.

“A bill I have introduced, H.R. 168, would defer taxation on these capital gains distributions until the shareholder redeems his shares. This legislation has attracted wide support, and now has fifty House sponsors and cosponsors from both parties. I am hopeful that the Administration will consider this or similar legislation for inclusion in the President’s budget early next year,” Saxton concluded.

For a copy of the new study, *Mutual Fund Investors: A Reflection of Middle America*, please visit our website at www.house.gov/jec.

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