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Contact: Christopher Frenze
Executive Director
(202) 224-5171

LIPPER STUDY SHOWS NEED FOR MUTUAL FUND INVESTOR TAX RELIEF

WASHINGTON, D.C. – A new study of mutual funds and their shareholders demonstrates the central importance of taxation in reducing investor returns, Joint Economic Committee (JEC) Chairman Jim Saxton said today. The 304-page study, *Taxes in the Mutual Fund Industry*, released by the respected research firm Lipper Inc., a subsidiary of Reuters, supports the previous findings of JEC staff studies on the same subject.

“The new Lipper study shows the powerful corrosive impact of taxes on mutual fund investor returns,” Saxton said. “According to an analysis provided in the Lipper study, ‘almost 23 percent of a taxable investor’s returns were lost to government coffers.’ As the study also points out, this can reduce the return on a \$10,000 investment by a staggering \$91,702 over 30 years.

“One of the most damaging aspects of this Federal tax burden relates to the taxation of mutual fund capital gain distributions received by shareholders, even if the value of their mutual fund shares is unchanged or has fallen. This is why I have introduced legislation to correct this unfair tax by providing a limited deferral of taxation on capital gain distributions, thereby eliminating this problem for the vast majority of mutual fund shareholders.

“Given the recent performance of the stock market, policy actions are needed to restore incentives for investment. Many millions of middle-income Americans invest through mutual funds, but Federal tax law is imposing an excessive and unnecessary burden on these investors. I am pleased that H.R. 168 has attracted nearly 70 cosponsors, and that this kind of tax reform is reportedly under consideration by Administration officials,” Saxton concluded.

For more information about the taxation of capital gain distributions and mutual funds, please see *Encouraging Personal Saving and Investment: Changing The Tax Treatment of Unrealized Capital Gains* (June 2000) and *The Taxation of Mutual Fund Investors: Performance, Saving and Investment* (April 2001) available on our website at www.house.gov/jec.

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