

ICI Supports Bill Providing Capital Gains Tax Deferral for Fund Shareholders, June 2001

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Washington, DC, June 8, 2001 - The following is a statement from Investment Company Institute President Matthew P. Fink in support of legislation introduced by Rep. Jim Saxton (R-NJ) to provide capital gains tax deferral for mutual fund shareholders:

"The Investment Company Institute, the national association of the American mutual fund industry, supports legislation introduced by Rep. Saxton ([H.R. 168](#) and [H.R. 300](#)) that would permit mutual fund shareholders to defer the payment of tax on distributions of capital gains, up to specified limits, so long as those distributions are reinvested in additional fund shares. The tax would be paid when the fund shares are sold.

"Mutual funds promote security for moderate-income Americans. Mutual funds provide moderate-income Americans with an attractive and affordable vehicle for achieving their financial goals, such as buying a home, financing a child's education, supporting aging parents or extended family, and preparing for retirement. More than half of all American households have become investors in our economy as a result of their mutual fund investments.

"Rep. Saxton's legislation would help American families meet their long-term financial goals. In order to achieve retirement security, many people invest on their own in taxable accounts to supplement tax-deferred retirement plans and Social Security. The Saxton legislation would assist moderate-income families who are investing to meet their long-term goals by deferring the payment of tax on reinvested capital gains (up to certain limits) until mutual fund shares are sold. Under current law, automatically reinvested capital gains distributions are taxed, which unnecessarily inhibits the ability of mutual fund investors to save.

"This deferral of tax until the fund shareholder redeems fund shares means that, subject to certain limits, the fund shareholder's own actions will determine when taxes are paid. By reducing current tax bills and allowing earnings to grow tax-deferred, this legislation will boost long-term savings.

"The Investment Company Institute commends Representative Saxton for recognizing the importance of deferring capital gains taxes for millions of moderate-income American families. His legislation would encourage long-term investment by millions of mutual fund shareholders and benefit the nation's economy."