

MEMO# 12114

June 27, 2000

MUTUAL FUND SHAREHOLDERS TAX RELIEF LEGISLATION INTRODUCED IN HOUSE

[12114] June 27, 2000 TO: BOARD OF GOVERNORS No. 35-00 FEDERAL LEGISLATION MEMBERS No. 8-00 PRIMARY CONTACTS - MEMBER COMPLEX No. 43-00 PUBLIC INFORMATION COMMITTEE No. 24-00 RE: MUTUAL FUND SHAREHOLDERS TAX RELIEF LEGISLATION INTRODUCED IN HOUSE On June 22, the vice chairman of the Joint Economic Committee introduced a bill to limit mutual fund shareholders' current tax liability for capital gains distributed by a fund. Shareholders would remain fully responsible for capital gains tax when they sell their mutual fund shares. H.R. 4723, introduced in the House by Rep. Jim Saxton (R-NJ), would allow a mutual fund shareholder to exclude up to \$3,000 of mutual fund capital gain distributions from current taxation, as long as the amounts are automatically reinvested in the funds (\$6,000 for joint returns). Thus, the bill clarifies that a shareholder's cost basis would not increase by the reinvested amount that was shielded from current taxation. In a press release, Vice Chairman Saxton said that the legislation "is designed to begin a debate over the current tax treatment of capital gains distributions." We will keep you informed of further developments with this legislation. Matthew P. Fink President Attachment Attachment (in .pdf format)

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