

January 6, 2005

Help Stop Punitive Taxation of Middle Class Investors

Dear Colleague:

Previously you have cosponsored legislation to reduce the unfair tax burden on mutual fund shareholders often triggered by mutual fund capital gain distributions. This legislation provided for a limited deferral of federal income taxes on these distributions until the shareholder chooses to sell his or her mutual fund shares. I would like to invite you to cosponsor a new version of this legislation that is very similar, although the deferral amounts are increased to shield a higher proportion of capital gain distributions.

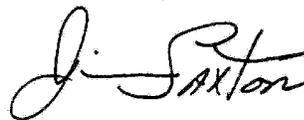
As you know, mutual funds have become the investment vehicle of choice for many millions of middle-income Americans. Through mutual funds, middle-class investors with small and medium investments can obtain professional investment management and the advantages of diversification otherwise possible only with a large stock portfolio.

There is only one major drawback to mutual fund investment: the current discriminatory and unfair tax treatment of capital gain distributions. Even if an individual investor's mutual fund shares have not been sold and have declined in value over the course of a tax year, a tax is still due on any capital gains realized by the mutual fund.

The bottom line is that many millions of mutual fund owners, including those suffering declining share prices, have been slammed with large additional tax liabilities. H.R. 196 addresses this problem by providing an annual income exclusion for capital gain distributions of \$5,000 for individuals and \$10,000 for married couples. For the most part, this amounts to a tax deferral until such time as the mutual funds shares are sold by individual shareholders.

Please consider co-sponsoring H.R. 196 to shield mutual fund owners from this unreasonable tax treatment. Please have your staff contact Aaron Levy (5-4765) to cosponsor.

Sincerely,

A handwritten signature in black ink that reads "Jim Saxton". The signature is written in a cursive, flowing style.

Jim Saxton