



Grover G. Norquist

President

April 13, 2004

The Honorable Paul Ryan
Member of Congress
1217 Longworth House Office Building
Washington, DC 20515

Dear Representative Ryan:

On behalf of Americans for Tax Reform (ATR) I would like to take this opportunity to commend you for sponsoring H.R. 1989, legislation that would finally allow mutual fund shareholders to defer their capital gains tax until they actually sell their shares. This change will equalize tax treatment between mutual funds and directly held stock, while promoting long term savings.

As you know, the emergence of mutual funds has worked to create one of the most fundamental demographic shifts in modern America: the growing number of families who own stock. In 1980 just 5 percent of American households owned a mutual fund, today it is 50 percent. As a result, the return of mutual funds has become an integral component of family household finances.

Yet, current tax law is discouraging the maximum potential growth of mutual funds, especially for long term investors. Most long term investors in mutual funds choose to take their capital gains distributions and reinvest them back into the fund. Under current tax law, however, each shareholder is required to pay a tax on these reinvestments despite the fact that the shareholder has done nothing to trigger the capital gains tax themselves. Come every April 15th, taxpayers are faced with a surprise capital gains tax which has reduced their after tax return on their investment.

H.R. 1989 will finally remove the discriminatory tax on capital gains distributions that are reinvested back into the mutual fund by long term mutual fund shareholders. At the same time, this legislation will promote long term savings and increased economic growth.

On behalf of Americans for Tax Reform, I thank you for your leadership on this important issue to American taxpayers and ATR is committed to helping you pass this legislation.

Sincerely,

Grover Norquist