



September 5, 2007

The Honorable Mike Pence  
U.S. House of Representatives  
Washington, DC 20515

Dear Congressman Pence:

We would encourage all members of the House to co-sponsor your bill H.R. 1261, the "Capital Gains Inflation Relief Act of 2007."

Under current law, when a capital asset like a stock or a mutual fund is sold, a tax must be paid on the profit. Much of this gain, though, merely represents the effects of inflation over the years. For example, from 1998 to 2005, shareholder wealth grew by over \$1.1 trillion. However, when inflation is taken into account the "real" growth was only about \$600 billion--half as much. Billions of dollars in taxes are paid every year from these purely inflationary gains.

Your bill would stop taxing savers and investors on mere "phantom" gains caused by nothing more than price inflation. Rather, only the "real" gains would be taxed. The majority of households that own stock and mutual fund shares would then not face punitive taxation on their savings, and owners of small businesses would not find themselves paying tax on assets they sell for a real loss. There is strong evidence that this was the original intent of Congress, but its will has been ignored by Treasury Departments of both parties since 1913. Your bill would restore some measure of balance to our anti-savings tax code.

Sincerely,

**John Berthoud**  
National Taxpayers Union

**Grover Norquist**  
Americans for Tax Reform

**Ryan Ellis**  
American Shareholders Association

**Pat Toomey**  
Club for Growth

**Tom Schatz**  
Council for Citizens Against Government Waste

**Phil Kerpen**  
Americans for Prosperity

**J. William Lauderback**  
American Conservative Union

**Brian Johnson**  
Alliance for Worker Freedom