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ICI Praises Introduction of Bipartisan Bill to Help US Mutual Funds Compete Internationally

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Washington, DC; July 27, 2020—Investment Company Institute (ICI) President and CEO Paul Schott Stevens issued the following statement after US Representatives Danny Davis (D-IL), Kenny Marchant (R-TX), Thomas Suozzi (D-NY), and Ron Estes (R-KS) introduced the Tax Parity for US Mutual Funds Act of 2020 (H.R. 7772), legislation to help US mutual funds compete internationally by creating an international regulated investment company (IRIC):

"This bipartisan bill will help level the global playing field for mutual fund companies based in the United States. It removes tax barriers that make US funds less attractive to non-US investors and gives these investors a way to access a US mutual fund without triggering negative tax consequences in their home countries. The bill represents a commonsense fix to current law at no cost to US taxpayers. ICI deeply appreciates the leadership of Representatives Davis, Marchant, Suozzi, and Estes on this important issue."

Under current tax law, US-domiciled mutual funds have little to no appeal for non-US investors. Unlike many other jurisdictions, US law requires US-domiciled mutual funds to distribute their income on a current basis. These distribution requirements cause non-US investors to incur a home-country tax that may not be due if they invest instead through a non-US fund. The legislation would create IRICs, which would be US investment products designed to eliminate these tax disadvantages for US-domiciled mutual funds. This new product would help make US funds more competitive internationally and remove the need for US fund sponsors to create foreign-domiciled products.

The Joint Committee on Taxation has analyzed previous versions of the legislation and estimated the provisions would have a "negligible effect" on federal revenue over the 10-year budget window.