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DEPUTY WHIP

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April 22, 1992

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Dear Mr. and Mrs. [REDACTED]

Thank you for writing me with your concerns over the tax on capital gains. I appreciate hearing your views on this important tax matter.

As you may know, a capital gain or loss is merely the result of a sale or exchange of a capital asset. If the asset is sold at a higher price, then the transaction produces a capital gain. If the asset is sold at a price lower than its acquisition price, then the transaction produces a capital loss.

Prior tax law exempted 60% of any net long term capital gains income (assets held for six months or longer) from tax. The Tax Reform Act of 1986 repealed this preferential tax treatment for capital gains income. As a result, capital gains income was treated as ordinary income and taxed at ordinary income tax rates.

House Resolution 4210, the Tax Fairness and Economic Growth Act, introduced by Dan Rostenkowski (D-IL), amends the Internal Revenue Code of 1986 to provide incentives for increased economic growth and to provide tax relief for families. Among other growth incentives for the middle class, H.R.4210 repeals the marginal capital gains rate of 28% and replaces it with progressive rate of 14, 21, or 28%.

The purpose of initiating a more progressive tax is to lower the tax burden on the lower and middle classes. By repealing the flat rate capital gains tax rate of 28% and instead replacing it with the progressive rate the tax burden on the middle class will be eased, freeing up assets to boost investment and to ease the onus caused by the continuing recession.

Please know I understand and sympathize with the difficult times that face many average American families. I am pleased to report that I voted in favor of the Conference Report which was adopted by both the House and the Senate on March 20, 1992. However, the President vetoed the legislation. The House, unfortunately, was not able to override the Presidential veto.

Again, thank you for sharing your views on capital gains with me. If I may be of any further assistance to you on this or any other matter please do not hesitate to contact me.

Sincerely,

**JOHN JOSEPH MOAKLEY**  
Member of Congress

JJM:jgm