FACT SHEET ON THE IMPACT OF
The Jobs and Growth Tax Reconciliation Act of 2003
and
S. 2503, WHICH WOULD MAKE DIVIDEND AND LONG-TERM CAPITAL GAINS TAX CUTS PERMANENT

The 2003 tax cuts—especially the dividends and capital gains tax cuts—have fueled the economic recovery we are experiencing today. These tax cuts triggered the fastest growing economy in two decades and have led to a national unemployment rate that is lower today than the average unemployment rate of the 1970s, 1980s, and 1990s. A growing economy means good, high-paying jobs and a better quality of life for all Americans. These pro-growth, supply-side tax cuts must be made permanent.

- **<u>Dividends</u>**

  Before the 2003 tax cuts, our tax code actually discouraged dividend payouts; corporate earnings were taxed once at the corporate level (35 percent) and again at the individual rate (as high as 38.6 percent), meaning they were double-taxed. The 2003 tax cut lowered the top tax rate imposed on dividends to 15 percent, but only through 2008.

  While dividends are still double-taxed, the tax penalty is greatly reduced. This has made dividend-paying stocks more attractive to investors, which has helped companies raise capital to expand and grow their businesses.

  Since the 2003 tax cut was signed into law, 374 companies on the S&P 500 pay dividends—an increase of 22 companies. Companies have increased dividend payments to shareholders by 40 percent, reversing a two-decade decline.

- **<u>Capital Gains</u>**

  The 2003 tax cut also reduced the tax imposed on long-term capital gains from 20 percent to 15 percent. This has made it more attractive for individuals to risk their hard-earned money by investing it in businesses. The result is that it is easier for businesses to raise needed capital to expand and create new jobs.

  The Dow Jones Industrial index has risen more than 1,400 points since the 2003 tax cuts were signed into law.

- **<u>Kyl Legislation – Make the Dividends and Capital Gains Tax Cuts Permanent</u>**

  On June 3, to help our economy to continue to grow and create new jobs, Senator Kyl introduced legislation to make the 15 percent tax rate imposed on dividend payouts and long-term capital gains permanent.

  If the dividend rate were allowed to return to the individual rate it would mean a 62 percent tax increase. Allowing the capital gains rate to return to 20 percent would be a 25 percent tax increase.

  We must make the 15 percent rate for each permanent, and then we must work to reduce both the dividends and the capital gains rates to zero, so that we eliminate the double-taxation of corporate earnings.

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