

10 A RESOLUTION CONCERNING
20 THE DOUBLE TAXATION ON DIVIDENDS

30 WHEREAS: The Internal Revenue Code imposes two layers of tax on corporate income; and,

40 WHEREAS: Companies must pay a 35 percent tax on profits; and,

50 WHEREAS: If the remaining after-tax income is then distributed to shareholders, it is subject
60 to another layer of tax, since individuals must include dividends in their taxable
70 income; and,

80 WHEREAS: Depending on an individual's tax rate, the effective tax rate on corporate income
90 can exceed 60 percent; and,

100 WHEREAS: Moreover, companies generally have to overstate their profits thanks to
110 depreciation, foreign tax rules, and the alternative minimum tax; and,

120 WHEREAS: This income can also be hit by capital gains taxes and the death tax, further
130 exacerbating the tax code's bias against investment; and,

140 WHEREAS: The Bush Administration proposes to end the double taxation of dividends by
150 allowing individuals to "exclude" dividends from their tax return, while
160 preserving the current 35 percent corporate tax that is imposed on this income;
170 and,

180 WHEREAS: The President's plan recognizes that dividends are after-tax payments and puts
190 an end to the discriminatory and unfair practice of making individuals pay a
200 second layer of tax on this income; and,

210 WHEREAS: Eliminating the double tax on dividend income will increase growth by
220 dramatically lowering the effective tax rate on business equity investment; and,

230 WHEREAS: Tax rates currently can exceed 60 percent, making many investments that could
240 be profitable not worth undertaking; and,

250 WHEREAS: Currently, subjecting dividend income to an extra layer of tax creates a bias for
260 corporate debt; the White House growth package will put debt and equity on a
270 level playing field, encouraging companies to restructure their finances and
280 improve their balance sheets, reducing bankruptcies; and,

290 WHEREAS: Another benefit is the plan's impact on investors' attitudes; current tax law
300 imposes a heavier tax on dividends (distributed earnings) than on capital gains
310 (retained earnings); and,

320 WHEREAS: President Bush's proposal will eliminate this anti-dividend bias, and companies
330 will be more likely to attract investors by offering periodic payments instead of
340 promising capital gains; and,

350 WHEREAS: This will improve corporate governance, since firms no longer will feel as much
360 pressure to boost share prices by making unwarranted claims about future
370 revenue; Investors then will be more likely to judge companies by the dividends
380 paid to shareholders; and,

390 WHEREAS: According to a Cato Institute survey, only three of the world's 30 developed
400 nations--America, Switzerland, and Ireland--double tax corporate income. Given
410 that Switzerland and Ireland have lower corporate tax rates, America has the
420 most punitive and anti-growth treatment of dividends in the industrialized world;
430 and,

440 WHEREAS: Nearly one-fourth of our competitors do not impose any double taxation on
450 dividends, while almost all the rest have policies that provide at least partial
460 protection from double taxation; and,

470 WHEREAS: Eliminating the double taxation of dividends can bring America from last place
480 to first place in this critical measure of global competitiveness; this means more
490 jobs for American workers and more capital for American companies.

500 THEREFORE BE IT RESOLVED: The Maryland Student Legislature encourages Congress to
510 pass President Bush's tax dividend plan; and,

520 BE IT FURTHER RESOLVED: That this plan should be implemented as soon as possible to help
530 recover the economy and encourage more investment in corporations.

540 MANDATES: President George W. Bush
550 Vice President Dick Cheney
560 Senate Majority Leader Bill Frist
570 Senate Minority Leader Tom Daschle
580 Speaker of the House Dennis Hastert
590 House Majority Leader Tom Delay
600 House Minority Leader Nancy Pelosi
610 Congresswoman Sue Kelly
620 Grover Norquist, President of Americans for Tax Reform

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