

Elimination Of Double Dividend Taxation: How Will It Change Corporate Financial Behavior? A Case Study

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Abstract

In December of 2002 President George W. Bush introduced an economic stimulus package which the administration claims will encourage increased business spending and that will encourage economic growth to lift the United States out of its jobless economic recovery. The proposed package entails over \$670 billion worth of tax relief over the next decade including \$98 billion over the next 16 months. The major points of the proposal include: speeding up the 2001 tax cuts to increase the pace of recovery and job creation, encouraging job-creating investment in America's businesses by ending the double taxation of dividends and giving businesses incentives to grow, and providing help for unemployed Americans, including extending unemployment benefits and creating new re-employment accounts to help displaced workers get back on the job. The stimulus package is intended to provide the necessary bolstering to the economy to recover growth in GDP as well as creation of jobs. The portion of the proposed economic stimulus package eliminating the double taxation of dividends issued by corporations has come under extensive criticism as not being stimulus for job creating investment. It is the objective of this study to evaluate the legitimacy of the proposal by investigating the impact that the proposed changes would have on corporations' financial position. The procedure will be to evaluate if it is in the best interest of the individual corporations to return corporate savings to the stockholders in the form of dividends. The procedure will be to evaluate the liquidity position of four selected corporations and their resulting equity values. Chosen for the case analysis were General Electric, Microsoft, eBay, and Daktronics. A dividend, or additional dividend, for the corporations was calculated based on an assumed fixed yield on current share price, for each corporation for fiscal years 1999, 2000, and 2001. From the calculated dividends the balance sheets and cash flow statements were revised for each fiscal year to evaluate changes to the corporations' financial situation, specifically their liquidity position and their equity values.

1. Introduction

In the 1990's the United States experienced the largest economic expansion in its history. With the advent of the Internet and the promise that it held, business invested in technology, expanded facilities, and hired new workers. A big reason for the spending on technology was the approach of the year 2000. The approach of the year 2000 caused computer hardware and software to be updated in almost every industry to ensure that there were no problems with the switch to the new millennium. Due to favorable tax laws and matching company money for investment in 401K programs, Americans began to invest in the stock markets at an unprecedented level. Today, over half of all Americans own stock (Aizcorbe, 2003). The Dow Jones Industrial average, S&P 500 and Nasdaq composite were all growing at rapid rates. From 1990 to 1999 the Dow Jones Industrial average increased by 437 percent, the S&P 500 increased by 445 percent, and the Nasdaq increased by 1088 percent. The market seemed to pay no attention to the fact that many of the corporations, particularly corporations listed on the Nasdaq, weren't profitable nor did they have any realistic hope of profits in the foreseeable future. A very small group of analysts during the 1990's were skeptical of the growth rates and tried to

warn investors of the speculative bubble that was forming and the inevitable meltdown when earnings started to evaporate due to the slow down in the economy.

Then came the year 2000 -- A new millennium and a whole new take on the economy. Business spending, particularly on technology, began to slow. During the last half of the 1990's businesses in the United States had become lax in inventory management, corporate oversight, and general business planning. Once the economic slowdown began the combination of reduced spending and over-stocked inventories rapidly caused business profits to disappear, and in turn the corporations began to shed employees. (Goodfriend, 2002)

Next came the terrorist attacks of September 11, 2001. An already ailing economy shuddered under the burden of a psychological barrier on United States business spending as well as consumer spending. Business travel slowed to a trickle. Americans began to spend more time at home, became more conscious of their debt load, and began to plan more conservatively for the future. These added problems made it even more difficult for the United States economy to emerge from the recession.

Over the rest of 2001 and into 2002 America discovered yet another problem facing business across the country. Corporate accounting scandals drove the United States' markets down. Enron, WorldCom, and Tyco are just a few of the large corporations that were discovered in their corporate misdeeds involving billions of dollars. With these revelations the economic recovery was pushed even further into the future.

During the fall of 2002 the United States stock markets began to post gains and it appeared that the U.S. was finally on its' way to economic recovery. However the beginning of the pursuit of a war against Iraq seemed to unsettle business expansion. Adding to this was the beginning of a nuclear standoff with North Korea. The two events led to a general unsettling of the American psyche about the state of the economy and consumer confidence fell to lows not seen since the 1980's. During the first months of 2003, the Iraq and North Korean situations have dominated the economic and market news. Markets and business expansion continued to trend downward waiting for more stable environments. (Thompson, 2003)

2. Statement Of Problem

Since late 1999 or early 2000 the United States economy has been in an extended economic downturn. Signs of the economic downturn include the following. First, an increase in unemployment from 1999 through 2002 of 1.8 percent, increasing from an unemployment level of 4.2 percent at the end of 1999 to more than 6 percent at the end of 2002. This increase represents a loss of 5,206,000 jobs. (Bureau of Labor Statistics, 2002). Second, a slowly increasing gross domestic product, GDP, with the GDP growing by only 3.8 percent in 2000, by 0.3 percent in 2001 and 2.4 percent in 2002. (Bureau of Economic Analysis, 2003) At the same time worker productivity rose by 4.1 percent, 0.8 percent, and 4.5 percent respectively. (Bureau of Labor Statistics, 2003) Third, at the same time the value of equities from the end of 1999 through the end of 2002, as measured by the Dow Jones Industrial Average had decreased by 27.5 percent, the S&P 500 decreased by 40 percent, and the tech heavy Nasdaq composite decreased by 68 percent since 1999.

The United States needed an economic plan that would encourage business growth, a reduction of unemployment, and an increase in the value of equities. Although technically no longer in a recession the United States economy was expanding without creating any new jobs.

In December of 2002 President George W. Bush introduced an economic stimulus package which the administration claims will encourage increased business spending and that will encourage economic growth to lift the United States out of it's jobless economic recovery. The proposed package entails over \$670 billion worth of tax relief over the next decade including \$98 billion over the next 16 months. The major points of the proposal include:

- Speeding up the 2001 tax cuts to increase the pace of recovery and job creation
- Encouraging job-creating investment in America's businesses by ending the double taxation of dividends and giving businesses incentives to grow
- Providing help for unemployed Americans, including extending unemployment benefits and creating new re-employment accounts to help displaced workers get back on the job (www.whitehouse.gov)

This economic stimulus package is intended to provide the necessary bolstering to the United States economy to move from an economic recovery in which jobs are not created into a recovery in both the GDP and the job market.

3. Need For Study Of Proposed Solution

The portion of the proposed economic stimulus package that denotes elimination the double taxation of dividends issued by corporations doesn't readily show that it is able to encourage job-creating investment in United States' corporations. This portion of the proposed economic stimulus package is arguably not a stimulus to United States' corporations. It is the interest of this study to evaluate the legitimacy of the proposal by investigating the impact that the proposed changes would have on corporations' financial position. The procedure will be to evaluate if it is in the best interest of the individual corporations to return corporate savings to the stockholders in the form of dividends, by evaluating the liquidity position of the selected corporations and their resulting equity values.

4. Evaluation Procedures

In order to evaluate the effects of the proposed elimination of double dividend taxation on corporations, four representative corporations of varying size and with varying current dividend policies were selected for the analysis. General Electric, Microsoft, eBay, and Daktronics were selected. A dividend, or additional dividend, for the corporations was calculated based on an assumed fixed yield on current share price, for each corporation for fiscal years 1999, 2000, and 2001. From the calculated dividends the balance sheets and cash flow statements were revised for each fiscal year to evaluate changes to the corporations' financial situation, specifically their liquidity position and their equity values.

Specifically, the objectives of this paper were to evaluate the effects of a change in dividend issuance policy and the resulting effects on the individual corporation's balance sheet and cash flow statement, by evaluating:

- The change in cash position of a corporation due to a change in dividend issuance
- The change in shareholder equity due to a change in dividend issuance
- The change in the liquidity of a corporation due to a change in dividend issuance.

5. Overview Of Corporations Evaluated

Four corporations were chosen for this research based on size and current dividend policy. General Electric is a huge corporation that regularly issues a dividend. Microsoft is a large corporation that does not regularly issue a dividend. eBay is a mid-sized corporation that regularly issues a dividend. Daktronics is a small corporation that does not regularly issue a dividend.

General Electric was incorporated in 1892 with the merger of Edison General Electric Company and Thomson-Houston Electric Company. In 1896 General Electric was listed in the original Dow Jones Industrial Index. General Electric is the only corporation that was included in the original Dow Jones Industrial Index to still be part of the Dow Jones Industrial Index today. Today General Electric has an extensive range of product offerings. They are involved in everything from household appliances to jet engines to nuclear power plants to financial services to television broadcasting. In 2001 General Electric had revenues of \$125.9 billion. General Electric has paid a dividend every year since 1896, and has increased the amount of the dividend every year since 1975. Currently the dividend is \$0.19 per share per quarter. (<http://www.ge.com>)

Microsoft was founded in 1975 in Albuquerque, New Mexico. Microsoft was incorporated in 1981. Later in 1981 the company introduced its first operating system, MS-DOS 1.0. In 1986 Microsoft became a publicly held corporation. Over the years, Microsoft has since introduced an assortment of operating systems, productivity software, and network software. In addition to the software, Microsoft also offers a wide variety of hardware and licensed hardware including computer peripherals and gaming systems (<http://www.microsoft.com>). Microsoft has a reputation of retaining earnings for future growth and acquisitions, and not issuing dividends to stockholders. As of 2002 Microsoft held over \$38 billion dollars in cash and short-term investments. Microsoft has issued dividends in the past although they are considered laughably small. The effective return of the last dividend issued by Microsoft was less than 0.05 percent.

eBay is a very young company, founded in 1995. The company's primary business is hosting auctions for individuals who offer goods for sale. Recently the company has expanded into real estate and automotive auctions. On any given day there are an average of 12 million items listed for sale on eBay. In 2002 the total amount of transactions processed by eBay was \$14.87 billion. eBay has local sites that serve 17 foreign countries, plus the US site which all the world can make purchases through. People spend more time on eBay than on any other Internet site, making it the most popular shopping destination on the Internet. Unlike most Internet startups eBay is a profitable company. Total revenue last year was almost \$750 million with net profits of \$90 million. eBay has paid a dividend the last two years of approximately 0.3 percent of their net income (<http://pages.ebay.com>).

Daktronics was founded in 1968 by two professors of Electrical Engineering from South Dakota State University. The basic premise of the company was to provide engineering students from SDSU with an opportunity to do internships within the state of South Dakota. At the time the corporation was founded there weren't many opportunities within the state for engineering students. The first products produced were electronic voting systems. In 1971 Daktronics began its work with scoreboards with the development of the Matside wrestling scoreboard. Since then the corporation's product offering has evolved to include a full line of scoreboards, message centers, full color LED video displays, and peripheral components and software to support the display systems. Daktronics is a growing corporation with sales of almost \$150 million last year and net profits of almost \$5 million. Daktronics has never issued a dividend to shareholders, as the company prefers to reinvest profits into corporate growth (<http://www.daktronics.com>).

6. Overview Of Method Of Changes To Financials

In order to be able to effectively revise the financial statements of the four companies two simplifications, or assumptions, were made. The first assumption was of a dividend rate, or increase in dividend rate for companies that already issue dividends. A two percent dividend yield was assumed to be an effective and realistic rate. In order to compute the two percent dividend yield the total number of shares outstanding was multiplied by the share price for the company's stock on the last trading day of the fiscal year and by two percent ($(\# \text{ of shares}) \times (\text{share price}) \times (0.02) = \text{total dividend}$). The second assumption made the removal of the double tax on dividends occur in 1999, making it possible to evaluate the three years of financial data currently available for the corporations. The two assumptions allowed an effective evaluation on the financial of the four corporations from issuance of a two percent dividend.

Change in total shareholder equity was the primary metric evaluated. Total shareholder equity is essentially a measure of how many more dollars worth of assets a company has than liabilities. This is a key metric, at least in how the number is changing from year to year, to indicate how a company is doing. If this number is small (or decreasing) then the company has very little money to make changes in its operations. If the number is large (or increasing) then the company has some room to make investments in its operations.

The change in cash and cash equivalents was also evaluated. This metric shows if the corporation has more or less cash available at the end of the year than they did at the beginning of the year. The change in cash and cash equivalents was an indication of how the corporation was doing in its liquidity position. If the change in cash is negative every year, then the corporation has less and less cash on hand and will need to borrow more money to continue operations. If the change in cash is positive year after year a corporation has more cash on hand and is

better able to weather a recession, finance expansion, or finance acquisitions without incurring more debt. The cash on hand can also be used to pay down debt, or repurchase outstanding shares to make the corporation more financially healthy.

7. Review Of Changes In General Electric's Financials

Before the revision General Electric had a positive change in cash and cash equivalents two of the three years evaluated. This means that General electric had more cash on hand at the end of the year than they had at the beginning. Before the revision shareholder equity increased each of the three years (see Fig. 1). This means that the corporation was worth more overall after each of the three years. With the increasing shareholder equity comes an increase in liquidity. This means that the company is more flexible in how it can finance its operations. They can make choices objectively as to whether to use cash, debt, or equity to finance operations. Please refer to Appendix A for the complete financial statements of General Electric before revision.

Figure 1

General Electric, financial summary, before revision	31-DEC-01	31-DEC-00	31-DEC-99
TOTAL ASSETS	\$ 495,023,000,000.00	\$ 437,006,000,000.00	\$ 405,200,000,000.00
TOTAL LIABILITIES	\$ 440,199,000,000.00	\$ 386,514,000,000.00	\$ 362,643,000,000.00
TOTAL SHAREHOLDER EQUITY	\$ 54,824,000,000.00	\$ 50,492,000,000.00	\$ 42,557,000,000.00

After the revision to General Electric's financials to include the two percent increase in dividend issuance the corporation had a negative change in cash and cash equivalents each of the three years. The corporation has less cash on hand at the end of each of the three years. This would ultimately lead to an increased dependence on debt to finance operations, as the corporation would have less cash on hand to for operating expenses. The two percent increase in dividend issuance would also lead to a massive loss of total shareholder equity. Over the three years the total shareholder equity was lowered by over \$28 billion (see Fig. 2). This would lead to a decrease in the corporation's liquidity. Much of the corporation's assets would be consumed by issuance of the dividend. The corporation is loses real financial value due to this change Please refer to Appendix B for the complete financial statements of General Electric after revision. (<http://biz.yahoo.com>)

Figure 2

General Electric, financial summary, after revision	31-DEC-01	31-DEC-00	31-DEC-99
TOTAL ASSETS	\$ 466,665,964,800.00	\$ 418,075,886,400.00	\$ 395,696,808,000.00
TOTAL LIABILITIES	\$ 440,199,000,000.00	\$ 386,514,000,000.00	\$ 362,643,000,000.00
TOTAL SHAREHOLDER EQUITY	\$ 26,466,964,800.00	\$ 31,561,886,400.00	\$ 33,053,808,000.00

8. Review Of Changes In Microsoft's Financials

Before revision Microsoft had a negative change in cash and cash equivalents all three years evaluated. However, instead of keeping cash on hand Microsoft had moved much of its cash into short-term investments. The increase in short-term investments more than offset the loss in cash and cash equivalents. Although these short-term investments are not as liquid as cash they can quickly be converted into cash for use to fund operations. Although Microsoft had decreasing liquidity the corporation was still increasing its financial security. Before the revision Microsoft's total shareholder equity increased each of the three years (see Fig. 3). This increase in total shareholder equity reflects the increased real value of the corporation. Please refer to Appendix C for the complete financial statements of Microsoft before revision.

Figure 3

Microsoft, financial summary, before revision	30-JUN-02	30-JUN-01	30-JUN-00
TOTAL ASSETS	\$ 67,646,000,000.00	\$ 59,257,000,000.00	\$ 52,150,000,000.00
TOTAL LIABILITIES	\$ 15,466,000,000.00	\$ 11,968,000,000.00	\$ 10,782,000,000.00
TOTAL STOCKHOLDER EQUITY	\$ 52,180,000,000.00	\$ 47,289,000,000.00	\$ 41,368,000,000.00

After the revision to Microsoft's financial statements to include the two percent dividend issuance the corporation had a much more negative change in cash and cash equivalents each of the three years. The corporation had less cash on hand at the end of each of the three years. By the end of the fiscal year 2001 the corporation would actually be out of cash and would have to reduce its short-term investments to remain in business. This would reduce the financial security that Microsoft would have otherwise built up to weather an extended recession, lawsuits, and expansion. The two percent increase in dividend issuance would have nevertheless allowed Microsoft to grow total shareholder equity over each of the three years, although not as rapidly as if they didn't issue the dividend. Over the three years the total shareholder equity would be over \$10 billion less than if they hadn't issued a dividend (see Fig. 4). Microsoft, however, would be able to issue a dividend without incurring negative growth in shareholder equity. However, this would still have an adverse affect on the company's liquidity and their financial well being as they would not be worth as much as a corporation as they could be. Please refer to Appendix D for the complete financial statements of Microsoft after revision. (<http://biz.yahoo.com>)

Figure 4

Microsoft, financial summary, after revision	30-JUN-02	30-JUN-01	30-JUN-00
TOTAL ASSETS	\$ 58,052,764,800.00	\$ 50,788,715,200.00	\$ 47,730,809,200.00
TOTAL LIABILITIES	\$ 15,466,000,000.00	\$ 11,968,000,000.00	\$ 10,782,000,000.00
TOTAL STOCKHOLDER EQUITY	\$ 42,586,764,800.00	\$ 38,820,715,200.00	\$ 36,948,809,200.00

9. Review Of Changes In eBay's Financials

Before the revision to their financial statements eBay had a positive change in cash and cash equivalents in two of the three years evaluated. eBay was improving the amount of cash that it had on hand to fund its operations, any expansion, and research and development. The corporation had more cash on hand at the end of the year than they had at the beginning. Before the revision shareholder equity increased each of the three years (see Fig. 5). This means that the corporation had assets increasing faster than liabilities each of the three years. With the increasing shareholder equity comes an increase in liquidity. The increased liquidity would make it easier for the corporation to fund operations, expansion, and research and development with cash instead of debt. Please refer to Appendix E for the complete financial statements of eBay revision.

Figure 5

eBay, financial summary, before revision	31-DEC-01	31-DEC-00	31-DEC-99
TOTAL ASSETS	\$ 1,762,547,000.00	\$ 1,182,403,000.00	\$ 963,942,000.00
TOTAL LIABILITIES	\$ 249,388,000.00	\$ 168,643,000.00	\$ 111,475,000.00
TOTAL STOCKHOLDER EQUITY	\$ 1,513,159,000.00	\$ 1,013,760,000.00	\$ 852,467,000.00

After the revision to eBay's financials to include the two percent increase in dividend issuance the corporation had a negative change in cash and cash equivalents each of the three years. The corporation had less cash on hand at the end of each of the three years. This would ultimately lead to an increased dependence on debt to

finance operations, as the corporation would have less cash on hand for operating expenses. The two percent increase in dividend issuance would also lead to a decrease in total shareholder equity. Over the three years the total shareholder equity was lowered by almost \$900 million (see Fig. 6). This would lead to a decrease in the corporation's liquidity and a loss of real financial value. Please refer to Appendix F for the complete financial statements of eBay after revision. (<http://biz.yahoo.com>)

Figure 6

eBay, financial summary, after revision	31-DEC-01	31-DEC-00	31-DEC-99
TOTAL ASSETS	\$ 933,306,562.00	\$ 839,580,760.00	\$ 664,494,900.00
TOTAL LIABILITIES	\$ 249,388,000.00	\$ 168,643,000.00	\$ 111,475,000.00
TOTAL STOCKHOLDER EQUITY	\$ 683,918,562.00	\$ 670,937,760.00	\$ 553,019,900.00

10. Review Of Changes In Daktronics' Financials

Before the revision to add a two percent dividend issuance to Daktronics' financial statements the corporation was in good financial standing. The corporation had growth in cash and cash equivalents in two of the three previous years. The corporation had also increased total stockholder equity each of the three years reviewed (see Fig. 7). The company had a healthy amount of cash on hand and was increasing total shareholder equity almost 20 percent per year. Please refer to Appendix G for Daktronics' complete financial statements before revision.

Figure 7

Daktronics, financial summary, before revision	27-APR-02	28-APR-01	29-APR-00
TOTAL ASSETS	\$ 87,346,000.00	\$ 90,214,000.00	\$ 72,407,000.00
TOTAL LIABILITIES	\$ 35,845,000.00	\$ 44,391,000.00	\$ 36,176,000.00
TOTAL STOCKHOLDER EQUITY	\$ 51,501,000.00	\$ 45,823,000.00	\$ 36,231,000.00

After including a two percent dividend issuance into Daktronics' financial statements the corporation's financials have a much different appearance. The change in cash and cash equivalents was decidedly negative. The corporation was rapidly using up cash to pay the dividend. The change was approximately \$4 million less in cash each of the three years. The change in total shareholder equity was also quite substantial (see Fig. 8). Daktronics would have over \$9 million less in shareholder equity at the end of the three years if the corporation issued a two percent dividend than if they hadn't issued the dividend. While this number is much less than the other corporation's loss of total shareholder equity it is the equivalent of an approximate 20 percent reduction in total shareholder equity. The corporation would be worth less in real market value with the issuance of a two percent dividend. Please refer to Appendix H for Daktronics' complete revised financial statements. (<http://biz.yahoo.com>)

Figure 8

Daktronics, financial summary, after revision	27-APR-02	28-APR-01	29-APR-00
TOTAL ASSETS	\$ 77,823,172.40	\$ 84,311,252.40	\$ 70,748,476.40
TOTAL LIABILITIES	\$ 35,845,000.00	\$ 44,391,000.00	\$ 36,176,000.00
TOTAL STOCKHOLDER EQUITY	\$ 41,978,172.40	\$ 39,920,252.40	\$ 34,572,476.40

11. Analysis Of Changes And Implications On Corporations At Large

11.1. Change In Cash Position

Change in cash position was evaluated for each of the corporations reviewed. Each corporation experienced a loss in their cash position when a two percent dividend was included in their financial statements. The loss of cash position could lead to a number of undesirable consequences for corporations in general. Increased dependence on leveraged debt financing for operations could be one possible outcome of the loss of cash position. A second outcome of loss of cash position could be the inability to grow the business enterprise. Adequate cash flow makes it is much easier for a business enterprise to purchase equipment, expand facilities, or hire more employees than with debt or equity financing. A third possible outcome of a reduced cash position is the inability to survive a prolonged recession. If a business enterprise fails to maintain enough cash its bills it may have difficulty continuing operations if business revenues slow. This situation is further exacerbated by credit rating agencies that will often lower credit-worthiness of corporations due to the increased liquidity risk. Four out of five corporations that face bankruptcies are having financial difficulties not because they were not making a profit, but because of poor cash positions.

11.2. Tradeoff Between Total Shareholder Equity And Stock Price

Total shareholder equity was evaluated for each of the corporations reviewed. Each corporation experienced a loss in total shareholder equity or a much smaller addition per year to total shareholder equity when a two percent dividend was included in their financial statements. There are many possible negative outcomes for a corporation resulting from a reduction of total shareholder equity. One possible outcome is a reduction of stock price. Corporations seek to maintain a strong stock price to ensure a return to their investors. Despite a possible “bump” in stock price when the first dividend is issued the stock price may actually go down over time due the reduced value of the corporation. The advantage to investors is that no taxes would be paid on the dividend, but capital gains taxes would have to be paid on increases in stock price. A second possible outcome of a reduction in total shareholder equity is a reduction of real value of the corporation. Because the corporation is giving out the cash that it has it will have a reduced market capitalization value. This can lead to problems with credit status, or the issuance of additional equity to raise capital for expansion.


11.3. Change In Liquidity

Liquidity was evaluated for each of the corporations reviewed. Each corporation experienced a loss of liquidity when a two percent dividend was included in their financial statements. The loss of cash and cash equivalents was the most obvious loss of liquidity. The corporations had less cash readily available to them for operations as much of their cash was being paid out as dividends. The reduction of liquidity could be a severe detriment to the corporations as they would not be as flexible in their day-to-day operations. There would also be a reduced ability to fund rapid business developments, as the corporation would not have the cash to readily fund developments. The corporation would have to wait for less liquid assets to be transferred into cash to fund these changes to the business.

12. Conclusion

The reduction in cash position, liquidity, and shareholder equity that would be caused by increased issuance of dividends would discourage the job-creating investment the Bush administration seeks. During the period analyzed it would not be in the best interest of the four businesses to pay a dividend, at least not from a liquidity and cash position. The issuance of a dividend could have the effect of making business expansion (investment in new capital expansion and job-creating investments) more difficult without utilizing leverage debt risk in the short run. In the long run it could possibly increase real share returns to investors by increased share equity value plus tax-exempt dividends. This would only be true if the corporations were to be able to maintain their financial health while issuing dividends. If corporations were to issue, or increase, a dividend due to this proposal they would be

spending the money they had earned on issuing dividends instead of investing in expansion and hiring more employees.

The elimination of double taxation of corporate dividends is simply a tax cut, and will not encourage job-creating investment in American business in the short-run. Therefore the elimination of the double tax on dividends would not stimulate job-creating investment and would probably result in long-term additions to the United States budget deficit. At best the elimination of the double taxation of dividends would result in a substantial long-term deficit increase without the benefits of a business stimulus. 

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Notes