

**New Study Finds Dividends Up After Tax Cuts
by Stephen Moore & Phil Kerpen**

Payouts from S&P 500 Companies Rose by \$33 Billion

Cato Institute research shows that the May 2003 tax cut, designed to encourage investment and breathe vitality into the stock market, has worked precisely as its supporters expected. A Briefing Paper entitled ***“Show Me the Money! Dividend Payouts After the Bush Tax Cut,”*** by Stephen Moore and Phil Kerpen casts fresh light on the tax cut’s success.

The paper’s authors examined dividend payouts for all S&P 500 companies in May 2003, before the implementation of the tax cut, and again in May 2004, a year after the introduction of the cut. They multiplied the dividend payout rate for each company by outstanding shares in order to calculate total annual payouts. In the year following the cut, dividends from S&P 500 companies rose by \$33 billion, or 23 percent.

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Additionally, 22 corporations that did not previously pay dividends now do, including such well-known names as Viacom, Costco, Staples and Reebok. Many other companies boosted their existing dividend payouts. Citigroup, for example, has doubled its annual dividend payout.

The dividend and capital gains tax cuts in May 2003 have provided a boost to the stock market after years of weakness following the collapse of the dot-com bubble. Both the S&P 500 and the tech-heavy NASDAQ have risen substantially since the tax cut, creating an increase in investor wealth of more than \$2 trillion.

Unfortunately, the 2003 dividend tax cut is due to expire at the end of 2008, which may already be reducing its economic benefits. The authors conclude that Congress should make this successful change in tax policy permanent so that Americans can continue to benefit from rising stock market values, more ethical and efficient corporate behavior, and greater investment and growth.

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