

*Congress of the United States*

**JOINT ECONOMIC COMMITTEE**

Democratic Staff

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**BUSH ADMINISTRATION'S DIVIDEND PROPOSAL NOT EFFECTIVE  
STIMULUS, LARGELY BENEFITS THE WEALTHY**

Dividend Exemption Generates First-Year Stimulus Return  
of Less Than 10 Cents for Every Dollar Spent

*Washington, D.C.* – A new analysis by the **Democratic staff** of the **Joint Economic Committee** (JEC) finds that President Bush's proposal to exempt corporate dividends from taxation would do little to boost consumption and stimulate the economy, while providing no benefit to the vast majority of families, including most senior citizens.

Key findings include the following:

- The dividend proposal would have little effect on consumption relative to the cost. At best, the dividend proposal will generate a stimulus return of less than 10 cents for every dollar spent.
- While the administration claims that their dividend proposal benefits seniors, only about one-fifth of seniors have any taxable dividends. The 10 percent of seniors with the highest income receive about 70 percent of all dividends paid to people ages 65 and over.
- The high cost of the proposal will significantly worsen the growing federal budget deficit. More than 95 percent of the \$364 billion ten-year budget cost occurs after the first year. This will reduce national saving and, over time, would hurt future income growth for all Americans. The prospect of larger budget deficits will also put upward pressure on interest rates today, further weakening prospects for growth.

The report, *The Administration's Dividend and Capital Gains Proposal: A Costly Solution in Search of a Problem*, is available on-line at <[www.senate.gov/~jec/](http://www.senate.gov/~jec/)>.

*The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.*

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