The President's Jobs and Growth Plan
The Short-Term Stimulus Effect of Ending Double Taxation of Dividends

The President's proposal to eliminate the double taxation of dividends is an essential piece of his Jobs and Growth plan. The proposal combines potent short-term stimulus with sound long-term policy. Within a year of its enactment, the proposal would:

- Put $20 billion into American pockets that can be spent or reinvested;
- Increase investment in new plants and equipment, encouraging economic growth and creating new jobs; and
- Give the stock market a much-needed boost, helping shareholders and raising overall investor confidence.

Encouraging Investment and Job Creation

- Eliminating the double taxation of dividends would provide a strong short-term boost to the economy. The proposal would:

  - Reduce taxes on shareholders, injecting more than $20 billion into the economy in the first year after adoption, with more than half of those savings going to America's seniors. The average tax savings for 7 million seniors would be $936 per year, money they could spend or reinvest for their retirement.

  - Cut the cost of buying equipment or a building by more than 10 percent. These lower taxes on the income from capital will encourage higher levels of business investment starting this year. More business investment means more jobs and higher wages for American workers.

- The Council of Economic Advisers estimates that the President's Jobs and Growth plan would create 1.4 million jobs over the next 18 months. Nearly one-third of those new jobs – 431,000 – are from the President's proposal to eliminate the double taxation of dividends.

Boosting the Stock Market

- Another benefit is the dividend exclusion's favorable impact on the stock market. According to analysts at Lehman Brothers, Wells Fargo, and other private institutions, the dividend exclusion would boost stock prices above the level they would otherwise be. How much?

  - Between 3 and 15 percent, according to the private sector analysts, with most estimates falling between 7 and 9 percent.

  - In an $11 trillion stock market, most of which is held by households, directly or through their pension plans, that means upwards of $1 trillion in new wealth.

    - An economists' rule of thumb is that between 3 and 5 percent of higher household wealth will be translated into higher consumer spending, meaning the dividend exclusion could result in tens of billions in new spending over the next few years.

- Bottom Line: The President's proposal to eliminate the double taxation of dividends would inject cash into the economy, cut capital costs to businesses, and create hundreds of thousands of new jobs – all in the first 18 months. It would also help restore confidence in the stock market, boost stock prices, and increase consumer spending.