



March 7, 2005

Dear Representative:

On behalf of the American Shareholders Association (ASA) I wish to express this organization's strong support for H.R. 809 (Cantor, Ryan, English, McCrery), which seeks to make permanent the 15 percent rate for capital gains and dividend income tax rates. **I urge you to cosponsor this legislation and work to pass the bill as law.**

As you may know, Congress passed, and President Bush signed into law, the Jobs and Growth Tax Relief Reconciliation Act of 2003. An important part of legislation reduced the double tax placed on dividends and equalized the dividend tax rate with the capital gains tax rate. These provisions are set to expire December 31, 2008. **Permanent extension of these provisions, as set forth in H.R. 809, is the highest priority for ASA in 2005.**

21 months have passed since this legislation was enacted and, without question, the tax cuts have been an unparalleled success. Prior to passage of JGTRRA, the stock market had lost 50 percent of its total market capitalization. Shareholders lost more than \$7 trillion of stock market wealth starting in March 2000 through the beginning of 2003. However, **once the legislation passed, total shareholder wealth climbed \$2 trillion in the first 180 days of trading.**

Furthermore, the tax reduction on dividends reversed the 25-year decline of dividend paying companies. 2004 marked the second straight year the number of dividend paying companies increased on the S&P 500, the first time this has occurred in 15 years. Moreover, the number of companies increasing their dividends is 55 percent higher than before the tax cut was put into place. More companies initiating and increasing dividends translates into more cash for shareholders. **All told, shareholders of S&P 500 companies experienced a record increase of more than \$50 billion in 2004 with an additional \$50 billion expected in 2005.**

Firms and shareholders need certainty that these provisions will remain in place, which is vital to the success of the tax cuts. Companies continue to pay "special" one time dividends due to the uncertainty of the tax cut. Without making this provision permanent the full benefits of the tax cut will never materialize. Moreover, expiration of the tax cut will raise the capital gains tax will reduce equity values. Clearly, these provisions need to be made permanent.

Once again, I urge you to cosponsor H.R. 809 to ensure the full benefits of the Jobs and Growth Tax Relief Reconciliation Act are realized.

Sincerely,

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Executive Director

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