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Cost of Dividend Proposal Only a Small Fraction of Administration Tax Agenda

A new analysis by the Center on Budget and Policy Priorities, *Removing the "Dividend" Proposal Would Reduce Ultimate Cost of President's Tax Agenda by One-sixth or Less*, explains that removing just the proposal to

The full report can be viewed at
<http://www.cbpp.org/3-7-03bud3.htm>

eliminate the individual taxation of corporate dividends would not make the Administration's tax cut agenda affordable. While the dividend proposal makes up half of the "growth" package, it is a much smaller fraction of the Administration's tax cut agenda as a whole.

- **The dividend proposal is one-quarter of the official cost of the Administration's tax cut proposals through 2013.** According to the Joint Committee on Taxation (JCT), Congress's official scorekeeper of tax legislation, the dividend proposal costs \$396 billion through 2013. That is roughly one-quarter of the \$1.6 trillion that JCT estimates the tax cut proposals in the Administration budget will cost between 2003 and 2013.
- **The dividend proposal is one-sixth of the annual cost of the Administration's tax cut proposals when they are fully in effect.** Various elements of the tax cut proposals would take effect in different years. In 2013, when they are fully in effect, they will cost \$339 billion, according to JCT. The dividend proposal would cost \$59 billion in 2013, or one-sixth of the total.

- **The dividend proposal is an even smaller fraction of the proposals' true cost.** JCT's price tag for the Administration's

	Cost 2003-2013	Cost in 2013
"Dividend" proposal	\$396	\$59
All proposed tax cuts	\$1,525	\$339
Share attributable to dividend proposal	25%	17%

tax cut proposals does not include the cost of extending Alternative Minimum Tax relief after 2005 (as the Administration has made clear it intends to do). When this cost is added, the total cost of the proposals rises and the share of that total represented by the dividend proposal drops to about 13 percent in 2013.

- **Tax cuts would total \$2.2 trillion even without dividend proposal.** The total impact on the budget of the Administration's tax cutting agenda — that is, the total amount by which it would swell the deficit — would be approximately \$2.7 trillion through 2013. (This figure includes the cost of extending AMT relief after 2005, plus the costs of the increased interest payments on the national debt that the tax cuts would generate.) Without the dividend tax cuts, the cost still would be \$2.2 trillion. Thus, eliminating just the dividend proposal would leave a very expensive tax cutting agenda that would substantially increase deficits and erode fiscal discipline.