Resolution Urging Retention of the Lower Dividend Income Tax Rates

WHEREAS, In 2003, Congress passed the Jobs and Growth Tax Reconciliation Act, which temporarily reduced the income tax rate on qualified dividends from almost 40 percent to a maximum of 15 percent. Currently, taxpayers in the 10- and 15-percent tax brackets pay no taxes on their dividend incomes; and

WHEREAS, The current maximum dividend income tax rate of 15 percent expires after year-end 2010 and reverts to the ordinary income tax rate of the stockholder if Congress does not pass an extension; and

WHEREAS, Lower dividend tax rates are good for investors, consumers, American businesses, and the recovering U.S. economy. Twenty-seven million Americans from all income levels and age groups directly own stocks that pay dividends, and tens of millions of Americans own dividend-paying stocks indirectly through pension funds, 401(k) plans, and mutual funds. Because the utility industry typically pays out a higher percentage of earnings through dividends than any other business sector, American investors are dependent on dividends from the utility industry; and

WHEREAS, Raising dividend tax rates would make it more difficult for dividend-paying companies – such as electric, gas, and water utilities – to attract investors. This is uniquely significant because the utility industry, which is extremely capital-intensive, relies on investors to raise the funds necessary to finance critical infrastructure projects; and

WHEREAS, The infrastructure projects created by electric, gas, and water utilities are an important source of high-quality jobs and will help keep America competitive; and

WHEREAS, The higher cost of capital driven by higher income taxes on dividends, combined with utilities’ need for extremely large amounts of capital, will translate into higher utility customer rates; now, therefore be it

RESOLVED, That the National Association of Regulatory Utility Commissioners, convened at its 2010 Annual Meeting in Atlanta, Georgia, supports the retention of the lower dividend income tax rates.

Sponsored by the Committees on Water and Gas
Recommended by the NARUC Board of Directors November 16, 2010
Adopted by the NARUC Committee of the Whole November 17, 2010