

On December 31, 2012 many previous tax decreases will end. One of which is the Dividend Tax. My good friend, **David K. Owens, Executive Vice President** of the great **Edison Electric Institute**

, wrote a brilliant overview of this issue and presented it to the National Black Caucus of State Legislators. I, hereby, share this noteworthy document with you:

“As state legislators, strengthening your state’s economic and social infrastructure are key priorities. In my line of work, the electric utility industry, we too are committed to improving and bettering the local communities we serve. One very important way is through our investments.

For us to make community investments, we rely on our own investors. Lots of people own utility stocks, whether directly or through mutual funds, pensions, or other retirement vehicles. They invest with us because we are a safe investment for the long-term. In fact, during the economic downturn our stocks stayed steady and stable.

But the current tax rates on dividend income and long-term capital gains, which now are capped at 15 percent, are set to expire on December 31 and will skyrocket from 15 percent to as high as 43.4 percent. That is less money for you and more money for the federal government.

Dividend-paying companies like utilities are concerned that a tax hike on dividends would depress their stock prices, making it more difficult and costly for them to raise the capital needed to stimulate corporate investment in major infrastructure and other investment projects, which create jobs to help spur local economies.

For electric utilities, keeping tax rates on dividends low is particularly important. Since the dividend tax rate reduction took effect, electric utility capital expenditures in states and local communities have increased 84 percent—from \$43.0 billion in 2003 to \$79.0 billion in 2011. That is money we rely on to invest in new generation and modernize our distribution systems in neighborhoods to bring electricity from the power plant to homes and businesses.

These investment dollars also are creating clean energy facilities that range from large nuclear plants to small renewable-energy projects, as well as state-of-the-art, coal-based generating

units and high-efficiency combined-cycle natural gas plants.

Importantly, these investments also are building a skilled workforce pipeline through the Center for Energy Workforce Development. More than 200,000 jobs will likely become available in the power sector over the next five to ten years from attrition or employees retiring. CEWD is the first partnership between utilities, their associations, contractors and unions to create workable solutions to address the need for a qualified, diverse workforce. CEWD is teaming with secondary and post secondary educational institutions and the workforce system to build the alliances, processes, and tools to develop tomorrow's energy workforce.

From an individual perspective, a tax hike on dividends raises many concerns for me as well. The typical utility investor is a senior citizen who relies on his or her dividend-paying stocks to supplement their retirement income—especially as today's interest rates have fallen to almost zero, reducing their income from other investments.

In fact, taxpayers age 50 and older file almost two-thirds of all tax returns with qualified dividend income, according to data from the U.S. Internal Revenue Service. And taxpayers age 65 and older file close to a third of these returns. And according to the Investment Company Institute, more than half of older investors cite current income as their principal reason for investing. These retirees earned their investments through years of hard work.

The lower dividend tax rates also benefit the millions of Americans who own stocks indirectly through mutual funds, pension funds, life insurance policies, and 401(k) plans. According to 2009 IRS data, nearly 70 percent of all tax returns with qualified dividends were filed by taxpayers with an adjusted gross income of less than \$100,000.

Finally, raising dividend tax rates will likely slow down the economic growth that has begun. Companies and shareholders make their investment decisions with an eye toward the long-term future. They know that Congress has acted in recent years to keep the tax rates on dividends low for all investors, so a future tax increase may not be reflected in current stock valuations. This raises the likelihood that financial markets and our nation's economy will suffer further if Congress and the President do not act to stop a dividend tax hike.

With the still-fragile economy finally starting to show signs of recovery, now is not the time to

discourage investment in our communities or our nation's future.

I've been in the electric power industry for over 30 years, and I am excited to see the opportunities that lie ahead. They are the reason the electric utility industry is working alongside a wide variety of associations, organizations, and companies in a national grassroots advocacy coalition—***Defend My Dividend*** (www.DefendMyDividend.org)—to stop a dividend tax hike.”

Mr. Alford is the co-founder, President/CEO of the National Black Chamber of Commerce®.
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