

May 15, 2007

Senator Daniel K. Akaka  
United States Senate  
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Washington, DC 20510-1103

Senator Akaka:

This month marks the four-year anniversary of the 2003 tax law that reduced tax rates on capital gains and dividends. The rate reductions clearly achieved the goal of jump starting the economy and boosting job creation. Moreover, millions of middle-income families and seniors directly benefited from the lower rates on capital gains and dividends. The success of the 2003 tax law is highlighted below.

According to the most recent data from Treasury and the Internal Revenue Service:

- \* 24 million families received an average tax cut of \$950 on their 2004 tax returns.
- \* 7 million of these beneficiaries were seniors who received an average benefit of \$1,231.
- \* 70 percent of the families who received qualified dividends and 67 percent of those who received long-term capital gains had incomes below \$100,000.

Since the rate reductions were enacted:

- \* 7.8 million new jobs have been created. (*Source: Bureau of Labor Statistics*)
- \* The economy has grown by \$1.6 trillion (*after inflation*), and the average quarterly growth rate has nearly tripled. (*Source: Bureau of Economic Analysis*)
- \* The S&P 500 has increased by 40 percent (reversing a three-year decline), benefiting all Americans, including those who save in 401(k) and other retirement plans. (*Source: Standard & Poor's*)

The economic growth that followed the 2003 tax law helped improve the government's fiscal situation. Capital gains tax receipts *increased* over the past four years (despite estimates they would fall), and the federal deficit has been cut nearly in half – falling from \$417 billion at the end of 2002 to \$248 billion by the end of last year. The attached table shows that the 2003 tax law marked a turning point in the nation's economy.

The undersigned companies and organizations—representing a broad sector of American industries—support the reduced rates on capital gains and dividends. These tax cuts worked.

*For more information, please call Shahira Knight at 202-216-2000.*

## LOWER CAPITAL GAINS AND DIVIDEND RATES MARK A TURNING POINT IN THE ECONOMY

### PRE-TAX CUT

Jan 2001 – May 2003 (for monthly data)  
2001 Q1 – 2003 Q1 (for quarterly data)

### POST TAX CUT

(May 2003 – most recent data)  
(2003 Q1 – most recent data)

2.6 million jobs LOST	<b>NEW JOBS</b>	7.8 million jobs CREATED
INCREASED from 4.2% to 6.1%	<b>UNEMPLOYMENT RATE</b>	REDUCED from 6.1% to 4.4%
INCREASED by 2.9 million people	<b>NUMBER OF UNEMPLOYED</b>	REDUCED by 2.2 million people
Averaged 1.2 percent	<b>QUARTERLY ECONOMIC GROWTH</b>	Averaged 3.5 percent
Increased by \$293 BILLION	<b>GDP</b>	Increased by \$1.6 TRILLION
FELL at an average rate of 7.4%	<b>BUSINESS INVESTMENT</b>	INCREASED at an average rate of 6.6%
LOST \$4.6 trillion	<b>S&amp;P 500<sup>1</sup></b>	GAINED \$3.6 trillion
\$166 billion in 2002	<b>DIVIDENDS PAID BY S&amp;P 500 COMPANIES</b>	\$224 billion in 2006

<sup>1</sup>Reflects annual data because monthly/quarterly data were not available.  
All dollar amounts are adjusted to reflect inflation.

ALLETE  
Alliant Energy  
Altria Group, Inc.  
Ameren Services  
American Business Conference  
American Council for Capital Formation  
American Electric Power  
American Forest & Paper Association  
American Gas Association  
American Shareholders Association  
Americans for Tax Reform  
Ameriprise Financial, Inc.  
AT&T  
Atlanta Gas Light Company  
Atmos Energy  
Bank of America  
Business Roundtable  
Charles Schwab  
Chattanooga Gas Company  
Cleco Corporation  
CH Energy Group, Inc.  
CMS Energy Corporation  
Consolidated Edison Company of New York  
Constellation Energy  
Dominion  
DPL, Inc.  
DTE Energy Company  
Duke Energy Corporation  
Edison Electric Institute  
Edison International  
Edward Jones  
Elizabethtown Gas  
Elkton Gas Company  
The Empire District Electric Company  
Energen Corporation  
Energy East Corporation  
Entergy  
Equitable Resources, Inc.  
Exelon Corporation  
Fidelity Investments  
Financial Services Roundtable  
Financial Services Forum  
Florida City Gas  
Great Plains Energy, Inc.  
The Laclede Group, Inc.  
Integrays Energy Group  
Investment Adviser Association  
Investment Company Institute  
KeySpan Energy  
MDU Resources Group  
Merrill Lynch  
Morgan Stanley  
National Association of Manufacturers  
National Association of Wholesaler-Distributors  
National Fuel  
Nicor  
NiSource Inc.  
Northeast Utilities  
NSTAR Electric & Gas  
NW Natural  
ONEOK, Inc  
Organization for International Investment (OFII)  
PG&E Corporation  
Piedmont Natural Gas  
PNM Resources, Inc.  
PPL Corporation  
Public Service Electric and Gas  
Puget Sound Energy  
RGC Resources, Inc.  
Securities Industry and Financial Markets Association  
Spectra Energy Corporation  
U.S. Chamber of Commerce  
United States Telecom Association  
Vanguard  
Vectren Corporation  
Verizon  
Virginia Natural Gas  
Wachovia Securities  
Washington Gas  
Wisconsin Energy Corporation  
Xcel Energy, Inc.