

By Wayne Halm

### Introduction

Recently the old battle about removing the taxes on corporate dividend payments has flared up again. It does that from time to time as the proponents have been beaten in the past but never defeated. The idea of eliminating the personal income tax on corporate dividend income always seems to be worth another try.

The argument that this money is taxed twice does seem to be valid. I dug into the situation a bit and yes, it does seem unfair that corporations are required to pay income tax on the money used for paying dividends and the recipients are also required to pay income tax again on the same money. Maybe it is time to do something about this.

But doing something will be difficult, so difficult that I suspect that the issue is being raised right now simply as a political bargaining chip. Elimination of the taxes on dividend income is a "rich verses poor" issue, a "owner verses worker" issue. As currently being proposed it would benefit some and harm many; all have votes. Even this dumb southern boy can count high enough to see that eliminating the personal income tax on corporate dividends is not going to fly.

However it doesn't have to be that way. The double taxation on dividends can be ended in a manner acceptable to all. It can be ended in a manner that directly stimulates the economy. It can be ended in a manner that is achievable - it can be done.

If the elimination of the double taxation is the goal, let's stop beating our heads against the wall and walk through the open door. If we can't remove one tax, let's remove the other. Instead of removing the personal income tax recipients pay on dividends, let's remove the tax corporations pay on the money used to pay dividends.

This can be accomplished by allowing corporations to classify dividend payments as expenses on their tax returns. The inequity problem would be solved and the benefits could begin.

Such a tax law change would place the initial benefit squarely where it can immediately and directly stimulate the economy - in the hands of existing and new corporations. It would provide money for expansion of existing organizations. It would provide additional incentive for new ventures. It would help create new jobs - and encourage larger dividend payments.

The double taxation should be eliminated and the corporate side is the only realistic place to do it. It's also the fair place, it leaves dividend income treated the same as wage income, interest income, rent income, etc. It sounds like a fair and "do-able" plan to me.

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