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DIVIDENDS RECONSIDERED

ALAN FELD

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Abstract

When JGTRRA 2003 reduced the income tax rate on dividends received by individuals to that of net capital gains, Feld explains, it also changed the relative attractiveness of alternative forms of corporate payout. Interest payments on shareholder debt and compensation to shareholder-employees, which generally provide superior returns to individuals, now yield less after-tax benefit in some circumstances than dividend payments. Feld says the change also calls into question the continuing function of a number of code provisions intended to prevent a bailout of corporate earnings at net capital gain rates and whose rules now affect primarily corporate rather than individual shareholders.

No paper, only abstract.

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