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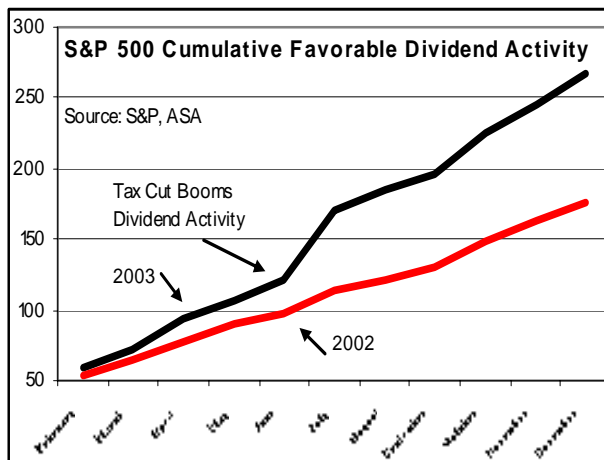
Jobs and Growth Tax Relief Reconciliation Act

ASA Dividend Scorecard – 1/07/04

Dividends Made a Huge Comeback in 03 - With More to Follow In 04

Contrary to recent news reports downplaying the dramatic change in corporate dividend policy, the facts show 2003 was a historic year for dividend issuance and increases. President Bush signed the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA), which slashed the double tax on dividends and immediately set off an explosion of dividend increases and initiations. Overall, in 2003, S&P 500 favorable dividend activity increased by 53% compared to last year, the number of S&P 500 companies paying dividends increased for the first time since 1994, the increase in the number of S&P 500 companies issuing dividends was the largest in twenty-five years, 62% of all S&P 500 companies that pay dividends increased/initiated dividends in 2003, 45% increase of dividend increases compared to 2002, 39 S&P 500 companies increased their dividend more than once in 2003, and dividend income is up 50%.

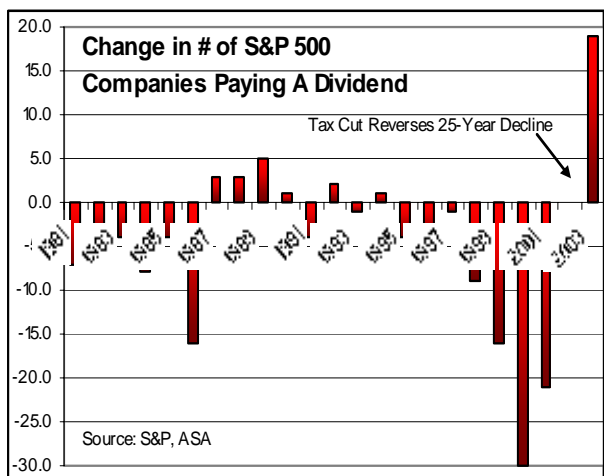
Tax Cut Booms Dividend Issuance/Increases



Favorable Dividend Activity Up 52.3%

The accelerating pace of favorable dividend activity continued in the month of December with 22 favorable dividend actions, compared to just 13 in the same month last year. For the year, favorable dividend activity increased by 52.3 percent compared to last year and favorable activity outpaced 2002 in every month except for May when both years experienced an increase of 13. **Even more impressive, since the tax cut was put into place May 28th, favorable dividend activity is up 88 percent.** Among non-S&P 500 companies favorable dividend activity increased 34.4% compared to last year. In 2003, 62 percent of all S&P 500 companies that offer dividends, increased or initiated shareholder payments, while just 50 percent did last year. Dividend initiations were at its highest level in twenty-five years and amazingly 39 companies increased their dividends more than once.

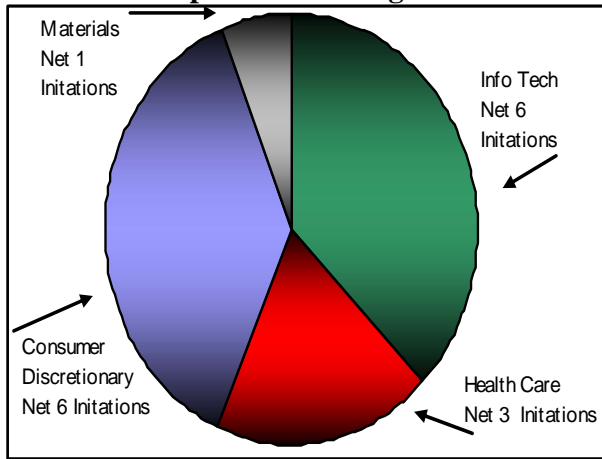
Tax Cut Reverses 25-Year Dividend Decline



Record Increases of Dividend Initiations

The most glaring omission from the recent dividend articles claiming the results from the tax cut are “mixed” is the reversal of companies paying dividends. For the past twenty-five years the number of S&P 500 companies paying a dividend significantly declined, from 469 in 1980 to 351 in 2002. However, the tax cut reversed this trend as 19 more firms paid dividends in 2003. Placing this number in context, the last year an increase occurred was 1994 and that was a net increase of one company. The largest one year increase in that time was 5 in 1989. Yet, early four times as many companies initiated a dividend in 2003. The 21 total initiations are the most in 24 years. Furthermore, many companies make their dividend decisions in January & February and thus have not held their annual meetings yet since the tax cut was passed. Expect more initiations in 2004.

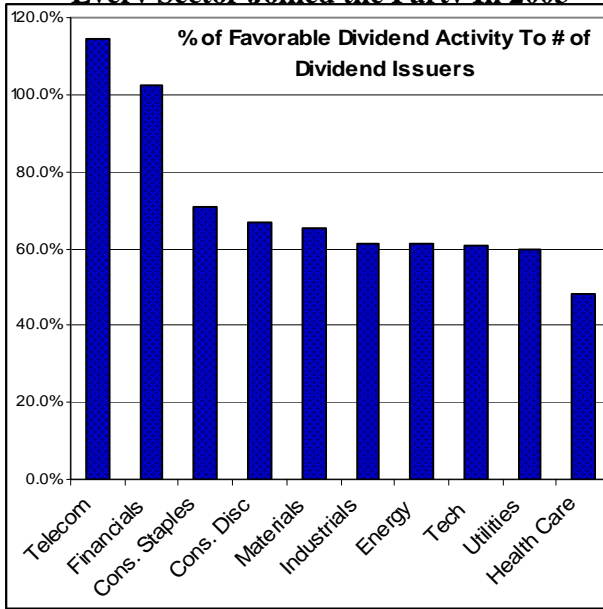
Tech Companies Initiating Dividends



New Dividends Improving Corporate Accountability

In 2003, the number of S&P 500 companies paying a dividend increased by a net 16 companies. Surprisingly, 6 of the 16 companies initiating dividends for the first time were information technology companies. This is significant because tech companies have historically not offered a dividend and hoarded cash that was reinvested back into the company. This places investors at risk. Without dividends, investors must value stocks based on a corporation's earnings statement, which can be manipulated, as demonstrated by the recent corporate accounting scandals. But, as dividends can only be paid out of earnings that actually exist, the Bush tax cut not only has improved economic growth and job creation, the tax cut is promoting honest accounting practices and renewing confidence among investors.

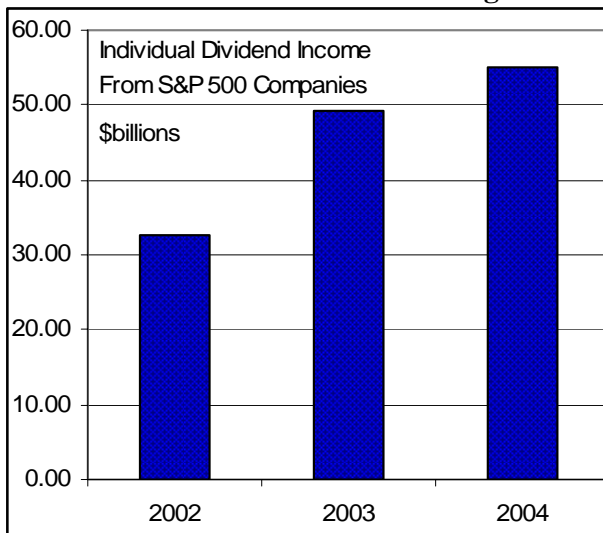
Every Sector Joined the Party In 2003



Dividend Increases Up 43% Over Last Year

In addition to a record number of dividend initiations, dividend increases were also on the rise. In fact, of the 7,000 companies reporting dividends to S&P, 1,630 companies increased their dividends, a 14.4 percent increase over last year and 20 percent above 2001. The month of July had 179 total dividend increases, the most since 1979. **The number of S&P 500 companies increasing their dividends was 43 percent higher compared to last year.** As the chart on the left shows, every sector had at least 50 percent of its dividend issuers increase their dividends. For the year, 33 companies in the S&P 500 increased their dividend twice, five companies increased their dividend three times, and one company increased their dividend in all four quarters of 2003. 14 companies in the S&P 500 at least doubled their dividend payment in 2003, the median increase was 11 percent and the average increase was 26 percent. All told, more cash is being returned to shareholders and capital is being allocated more efficiently due to the reduction of the discriminatory double tax on dividends.

Dividend Income Is Booming



50% Increase of Individual Dividend Income in 2003

Increasing dividend payments and record growth of dividend initiations translates into significant more cash for shareholders. According to S&P, *net individual* dividend income increased by 50 percent in 2003 from \$32.7 billion to \$49.1 billion. More cash is expected to be returned in the future as well. S&P estimates the growth of the indicated dividend rate to jump from \$16.08 in 2002 to \$17.9 in 2003 to \$18.5 in 2004. This will translate into \$55 billion net of taxes for shareholders in 2004. Similarly, a recent Lehman Brothers report forecasts S&P 500 firms dividend payments to increase from \$147 billion in 2002 to \$160 billion in 2003 to \$184 billion in 2004. Roughly \$14 billion of cash will be returned to shareholders this April as a direct result of the lower tax on dividends. This is roughly the equivalent amount of cash returned in rebates last summer for the child credit advance payment. With increasing profits look for more dividend cash to be returned to shareholders in 2004.