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Original News Release from Project for a Prosperous America

Project for a Prosperous America

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Doing away with the double taxation of corporate dividends would have substantial benefits to the economy, including creation of millions of new jobs and a reduction in the growth rate of both unemployment and inflation, according to a coalition of top-level leaders in labor and industry.

The coalition, Project for a Prosperous America, urged the Congress and the President to eliminate the double tax in a statement released today by Thomas F. Murphy, President of the International Union of Bricklayers and Allied Craftsmen and chairman of the group.

Murphy said the statement reflected business and labor leaders' concern with the slow rate of economic growth.

"Business without the capital to invest in expansion, improvements, and new facilities cannot create new jobs," the statement said. "Historically, companies faced with an equity shortage have reduced their investment, which has the effect of increasing unemployment."

Project for a Prosperous America also took the position that the tax relief should be given to shareholders, rather
than corporations. Corporations and individual shareholders now both pay taxes on the same income when it is distributed as dividends.

Eliminating the shareholders' portion of the double tax, the coalition said, "would make investment in corporate shares much more attractive and thus dramatically increase the supply of equity capital. That, in turn, would provide industry funds for expansion, creating more jobs, more income tax revenue, and a resumption of growth in the gross national product."

In an obvious reference to rumors that the Carter Administration is considering the elimination of preferential treatment of capital gains as a "trade-off" for relief from double taxation, the statement stressed the coalition's opposition to such a move.

"Double taxation applies to total corporate earnings, not only to dividends," they said. "Capital gains tax treatment recognizes this fact."

Murphy said that, because of the necessity of quick action to stimulate capital investment, they would prefer to see double taxation legislation introduced separately rather than as part of a complicated tax package, which would mean a delay in its implementation and its impact on the economy.

Murphy said Project for a Prosperous America was organized to provide a way for labor and industry to work together on economic issues of mutual concern. Its membership includes international union presidents, chairmen of the boards of major corporations, representatives of small business, and representatives of the banking and investment communities.

(Membership list and text of statement attached.)
RESOLUTION

Labor and business have a strong mutual interest in solving the critical economic problems of continuing high unemployment and inflation. Members of Project for a Prosperous America believe that eliminating the double taxation of dividends, at the shareholder level, would have substantial benefits to the economy. Specifically, it would alleviate the acute shortage of equity capital, and contribute to a reduction in the growth of both unemployment and inflation.

Business without the capital to invest in expansion, improvements and new facilities cannot create new jobs. Historically, companies faced with an equity shortage have reduced their investment, which has the effect of increasing unemployment.

Eliminating the double tax would make investment in corporate shares much more attractive and would dramatically increase the supply of equity capital. That, in turn, would provide industry funds for expansion, creating more jobs, more income tax revenue, and a resumption of growth in the gross national product.

The elimination of double taxation should not become a trade-off for capital gains treatment. Double taxation applies to total corporate earnings, not only to dividends. Capital gains tax treatment recognizes this fact.

We urge the Congress and the Administration to act this year to eliminate the unfair double tax.
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