



Pending Expiration of 2003 Federal Dividend Tax Act

Dividends you receive from Vectren are effectively taxed twice - once at the corporate level and again at the individual level when personal income taxes are paid.

- In 2003, the Jobs and Growth Tax Relief Reconciliation Act was passed, lowering the federal tax rate on corporate dividends paid to individual taxpayers to a maximum rate of 15% in part to address this inequity.
- The reduction was originally effective through December 31, 2008, but was extended through the end of 2010.

America's utility companies paid \$16.3 billion in dividends in 2005 and almost \$18 billion in 2006.

- The reduction in the dividend tax rate by some estimates raised the value of dividend paying utility stocks by 10% as more of the dividend was retained by the shareholder.
- In addition to benefiting shareholders, the increased stock values also benefited customers by helping utilities reduce the cost of capital making it less expensive to raise the money necessary to provide safe, reliable gas and electricity services.

According to a study commissioned by *The American Gas Association* and *The Edison Electric Institute*:

- The dividend tax cut wasn't a perk for wealthy or institutional investors - the majority of utility shareholders are individuals with household incomes of less than \$75,000.
- Most utility shareholders are over age 55 - many are retired and depend on dividend income to help with daily living expenses.
- Taxpayers with investments directly and indirectly in utility company stocks account for 68% of all tax returns with qualified dividends.

Call to Action: Congress needs to make the current dividend tax rate permanent. We encourage shareholders to contact their members of Congress to urge them to take action and make the 15% tax rate permanent.

It's your money, and you deserve to keep it.