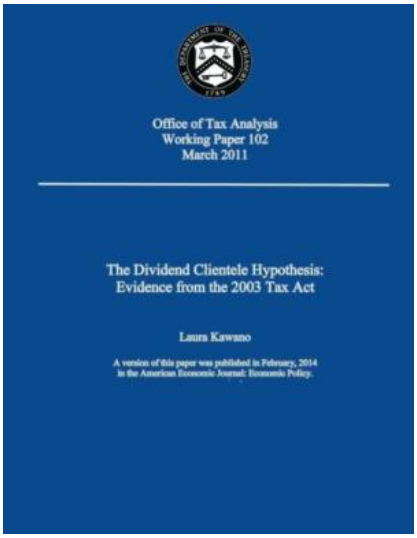


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The Dividend Clientele Hypothesis: Evidence from the 2003 Tax ACT (Paperback)

By Laura Kawana

Createspace, United States, 2015. Paperback. Book Condition: New. 279 x 216 mm. Language: English . Brand New Book ***** Print on Demand *****.In this paper, I test the dividend clientele hypothesis (DCH) by examining the impact of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the 2003 tax act) on household portfolio dividend yields. The DCH predicts that the 2003 tax act, which reduced the tax-disadvantage of dividends differentially across the income distribution, would cause high income households to shift their portfolios towards dividend paying stocks relatively more than lower income households. Using the 2001 and 2004 Surveys of Consumer Finances (SCF), I examine how changes in tax rates affect changes in household portfolio dividend yields. I find that the 2003 tax act caused households in the highest (35) tax bracket to increase their portfolio dividend yields by 1.1 percentage points more than those in the next (33) tax bracket, and by 2.6 percentage points more than those two tax brackets (28) below. Compared to a 2.1 percent average dividend yield in 2001, these responses are large and economically significant. Using the 2007 SCF, I find that the reduced variation in dividend tax rates across...

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