



THE DANA VIEWPOINT

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That refrain has gone up in New York Giant territory and Kentucky so far this year. Unfortunately, it has also gone up in Washington DC as the US has overtaken Japan as number one when it comes to the corporate tax rate. On April 1 Japan cut its corporate tax rate to 36.8% from 39.5%. The US has an average combined federal and state tax rate of 39.2%. In three years Japan's corporate tax rate will drop further to 34.5%. Other Asian countries have even lower rates. South Korea's rate is 22%, Taiwan 17% and Thailand is moving to 20%. Hong Kong and Singapore have had long standing rates of 16.5% and 17% respectively. Granted, corporations can reduce taxes through deductions and creative accounting. Nevertheless, high marginal tax rates hamper our ability to compete in the global market place. The good news is that Congress appears willing to pay more than lip service to this issue. Representative Paul Ryan has arguably spent more time on budget and tax issues than anyone in Congress today. He has presented many budgeting ideas that can certainly be discussed and improved upon by members of all three parties. Recently, he proposed a bipartisan tax reform idea with Ron Wyden, Democrat from Oregon, that would reduce tax brackets from eleven to three and lower the corporate rate to 25%. They also proposed eliminating many loopholes. The point is to make sure that everyone pays their "fair share." Steve Forbes ran for President back in the eighties on a flat tax platform. He was too early, but now, or at least after the election, tax reform should be a priority. There are many other issues to be addressed of course but this one is necessary to resolve the "fairness" issue. People used to take pride in paying their taxes because they were contributing to the growth of this nation, and they felt they were a part of this growth. Be happy this year when you pay your taxes, but be sure to tell your representative not to waste the money.

Well, here we are again with gas prices at \$4.00 a gallon and everyone pointing fingers. The oil companies always seem to be Washington's favorite whipping boy. They have been hauled before Congress on many occasions over the decades and accused of collusion and other crimes

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against the public. They never find any wrongdoing. The law of supply and demand has yet to be repealed. Oil companies show huge profits because they are huge companies that employ huge amounts of tax paying workers and pay huge amounts of taxes themselves. A key stat to consider when analyzing a company is its profit margin (cents of net income earned per dollar of revenue). The average profit margin in the oil industry is 6.1%. Drugs and medicines have the highest profit margins at 22.2% followed by computers at 21.8% and beverage and tobacco at 20.1%. All manufacturing businesses have an average profit margin of 9.2% (*Investor's Business Daily 4-4-12*). The supply of oil in this country is up slightly and demand is down slightly. However, the supply of oil would be higher if we were to open drilling on government lands. The increase in supply has come from new and more efficient technologies that are being employed on private lands (the Bakken fields in North Dakota). Demand is down as people are driving less, but mainly because the economy is growing at a tepid 2% annual rate. This will not continue forever, and when the economy gains full strength, demand for oil will escalate. Another factor causing high prices at the pump is the closing of three refineries on the east coast. Onerous EPA regulations have made the refining business a losing battle. If you cannot make a profit in any business (except the government) you cannot stay in business. Another factor is our poor relationship with Canada. They are upset that we have cancelled the XL pipeline that would send oil to refineries in Texas and Oklahoma. They may be soon selling their oil to China. Perish the thought. China is our largest competitor in the free market and we are about to hand them a huge advantage. Sometimes you have to think we became the most advanced country in history in spite of ourselves.

Growth and reform should be the main issues in the next election. Grow the economy and reform the tax code along with other debilitating regulations.

Random Thought for April 2012: “There is no such thing as a good tax.”

Winston Churchill

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