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IMPACTS OF FISCAL REFORM ON DIVIDENDS: EVIDENCE FROM MEXICO

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ABSTRACT

This paper addresses the Mexican 2014 Tax Reform. Specifically, we examine the distribution of dividends made by thirty-five companies that make up the Price and Quotation Index of the Mexican Stock Exchange. We also examine shareholders who receive the dividends. Results show that companies refrained from declaring dividends in 2014 and payments normalized in 2015. Since 2015, as a result of the 2014 Tax Reform, which required shareholders who receive dividends to pay an extra tax of 10%, dividends have become les desirable. Companies have accumulated profits destined for reinvestment in the company.

JEL: G31, G38

KEYWORDS: Dividend Policy, Residual Theory, Tax Reform

INTRODUCTION

This document analyzes the impact of the Mexico 2014 tax reform on dividend payments. We consider thirty-five companies that make up the Price and Quotation Index (IPC) of the Mexican Stock Exchange (BMV). The reform requires payment of a 10% tax rate on dividends without any deduction. In other countries, such as the US, there is a special intercompany dividend deduction of 50% for subsidiaries with participation of less than 20% and 65% for subsidiaries with a participation greater than 20% (Flores Group, 2019).

There exists a large body of literature on dividend policies and their effects on the value of companies. However, no studies were found in the Mexican context in relation to fiscal reforms and dividends. This research contributes to the existing literature by examining if companies listed on the Mexican Stock Exchange stopped paying dividends in 2014, the year of the fiscal reform's entry into force.

Companies usually emphasize sending good signals to investors in the capital market. Investors receiving these signals increase in the price of the shares. Good financial administration helps incorporate economic value in organizations, which leads to a growth in dividends to be distributed to shareholders. However, in Mexico, the fiscal reform of 2014 has discouraged, at least temporarily, the distribution of cash dividends.

Dividends represent the distribution of company profits to shareholders based on their contributions. Normally, dividends are paid in cash, although in some cases they are paid in shares of the same company. A dividend policy is the formal action of the company that allows determining the form and amount in which the profits will be distributed through dividends or reinvested in the company (Mosqueda, Denos, & Guízar, 2006). This policy is commonly determined at the shareholders meeting.

Until 2013, individual residents in Mexico paid a maximum Income Tax (ISR) rate of 30%. This was the same amount as companies (legal or moral persons). Dividend income distributed by resident companies in Mexico were subject to tax and their distribution no longer implied any additional tax, regardless of who received the dividend. In 2014, the ISR rate for legal persons remained the same, with a maximum rate of 30%, while for individuals increased substantial increase, with a maximum rate of 35%.

As of 2014, based on the new Income Tax Law (LISR) Individuals resident in Mexico or foreigners, whether individuals or companies that receive dividends from a company resident in Mexico, and individuals resident in Mexico who receive dividends from companies resident abroad will be subject to an additional tax of 10%. To clarify, (Aguilar, 2016) "the dividends between Mexican companies continue with the same previous rules; that is, if the companies have already paid the corporate ISR on profits in the company that generated them, they are no longer liable to the company that receives the dividends. As is known, the control of said profits is made through the Net Tax Profit Account (CUFIN)".

Through a transitory rule, the new LISR establishes that Mexican companies will carry two CUFIN records, one for utilities generated until December 31, 2013 and another for those generated as of January 1, 2014. If a firm pays dividends in 2014 or later, will be subject to the new tax only if they are paid from the 2014 CUFIN or subsequent years, but if they are paid from the 2013 CUFIN or previous fiscal years they will not be required to pay such tax. For a better explanation, the following example is presented: A company has generated a profit of \$ 1,000,000 of which it would have to pay \$ 300,000 (30%) of ISR leaving \$700,000 in accumulated profits that could be used to pay dividends to shareholders. Assuming that a shareholder (natural person) has income of 1,000,000, they would pay taxes at the highest ISR rate of 35%. As the company has already paid 30% the stockholders would have to pay the remaining 5%, regardless of whether the dividend comes from the 2013 or 2014 CUFIN.

If the dividend comes from CUFIN 2013, there would be no additional tax to be paid, and the effective ISR rate would be 35%. But if the dividend comes from CUFIN 2014, the individual shareholder will be subject to an additional 10% that must be retained and paid by the company that pays the dividend. In this case, the effective rate rises to 45 percent: 35% from the new rate and 10% from the new dividend tax. In cases of dividends paid to foreigners, whether individuals or corporations, the new dividend tax of 10 percent applies, although the resulting final tax will depend on the applicable Double Taxation Agreement (CDI) that could reach up to 10 percent.

The remainder of this work has been structured as follows. The next section presents a review of the existing literature. The following section presents the methodology. A linear regression model is applied, which analyzes the impact of the 2014 tax reform on Mexican company dividends. Next we explain the results. The paper closes with some concluding comments.

LITERATURE REVIEW

Theoretical Framework

One of the most important strategic decisions that should be made in the boards of directors and/or corporate governments of companies, is the establishment of a dividend policy. Various analyzes have been carried out and models have been developed that must be considered to determine the amount of dividends to be distributed. "The dividend policy determines how the profits of a company are distributed, these can be retained and reinvested or paid to shareholders" (Moyer, McGuigan, & Kretlow, 1998). Therefore, several practical considerations influence the determination of an "optimal dividend policy".

In recent years retained earnings have been an important source of financing for companies. Companies commonly consider that dividends can stimulate the growth of future profits, so they can influence the future value of the shares. They also consider that shareholders expect their investment to provide tangible present returns through dividends. Dividend policies vary depending on the sector to which the company belongs and even within the same sector there may be considerable variations.

According to (Moyer, McGuigan, & Kretlow, 1998) "In a closed corporation, with relatively few shareholders, dividends can be established according to the preference of its shareholders, assuming that most of them are in a high category of shareholders. Marginal taxes will favor a policy of high retention of profits whose result is an eventual increase in the prices of the shares. However, a high retention of profits means that the company has enough acceptable capital investment opportunities to justify its low dividend payment policy".

On the other hand, in large companies, such as those with shares that are traded on the Mexican Stock Exchange (BMV), it is not feasible to take into account the individual preferences of shareholders to establish the dividend policy. In this case there will be investors in the highest marginal tax rate categories who may prefer the company to reinvest profits, thereby decreasing the dividend rate. But there will also be shareholders, such as retired people and those who live on fixed incomes (sometimes referred to as widows and orphans), who may prefer a high and constant dividend rate.

Residual Payment Policy

Moyer, McGuigan, & Kretlow (1998) explain that "This policy suggests that companies should retain profits while they have investment opportunities that promise rates of return above the required rate, that is, while the company can invest the profits to earn this required rate or more, it must not pay dividends because it would cause wasted acceptable investment opportunities or the need to obtain the necessary capital possibly more expensive in the external capital markets". The residual dividend theory implies that the dividend rate will vary each year, depending on the investment opportunities. However, there is evidence that most companies try to maintain a more or less stable record of dividend payments over time.

Stable Dividend Policy

Most companies and shareholders prefer reasonably stable dividend policies as explained by Moyer, McGuigan, & Kretlow, 1998. This stability is characterized by reluctance to reduce the amount of money paid as dividends from one period to the next. Some company managers consider a stable and growing dividend policy as tending to reduce investors' uncertainty about future dividend flows.

Other dividend policies that some companies have adopted are: "the dividend policy with a constant reason for payment". Companies that use this policy pay a certain percentage of their profits as dividends each year. Therefore, if profits vary substantially each year, dividends also fluctuate. Some companies decide to pay a small quarterly dividend plus an additional annual premium. This policy favors companies that have volatility in their profits or in their cash needs from year to year.

Regardless of the dividend policies adopted by companies, in order to determine the consequences of the 2014 tax reform in companies and shareholders, it is necessary to take into account various theories. We consider these two main doctrines of thought that predominate among scholars of finance stand out regarding the effect of the dividend policy on the value of a company. The importance of considering such theories is that the main objective of financial managers is the maximization of the value of their companies. Dividend decisions are crucial to achieve this objective. The first theory was introduced by Miller and Modigliani (1961). They argue that dividend policy does not have a significant effect on the value of the company. A second theory, supported mainly by Gordon (1959), argues that dividend policy does affect firm value. Our study is not intended to support one or another theory. We consider both theories to determine what effect the tax reform has had on companies with different dividend policies.

The Miller and Modigliani line of thought states that the value of a company is determined solely by its investment decisions and that dividend policy is a mere detail. This argument depends on several fundamental assumptions, among which the following are included: a) There are no taxes, b) There are no transaction costs, c) There are no issuance costs and d) The existence of an investment policy is fixed. Furthermore, Miller and Modigliani argue it is the investment policy, and not the dividend policy that determines the value of the company. For Gordon and Lintner this is not true. They claim that a dividend policy does affect the value of the company.

Another important aspect is that of taxes, according to Brigham & Houston (2001), there are three reasons related to corporate taxes to think that shareholders might prefer a low payment reason to having to receive a high payment, based on the "Theory of fiscal preference".

Holland & Coelho (2012) note that "There are investors who have a preference to receive dividends, while others prefer capital gains derived from withholding; The clientele effect theory says that investors are directed to invest their funds in companies with policies that allow them to appropriate their preferred dividends. An important aspect is the informative content of the dividends, if the dividends do not produce an effect on the share price, and a positive change is observed is attributable not to the dividend itself, but to the informative content of dividends with respect to future profits".

Gutiérrez Urzúa, Yañez Alvarado, & Umaña Hermosilla, (2012) analyzed the dividend payment rate of Chilean companies, considering aspects such as the payment of mandatory dividends, the high concentration of property, growth opportunities and the presence of institutional investors. They found evidence, for the period from 2001 to 2007 using multiple linear regressions for maximum likelihood, of the use of dividends to "deliver information on future projects of the company".

Loss & Neto (2006) carried out an empirical investigation of a possible interrelation between dividend policies applied by the investment companies listed on the São Paulo Stock Exchange. (BOVESPA) in Brazil. The objective was to identify if Brazilian companies change their dividend policy before the needs of permanent investment. This investigation support propositions, especially the theoretical classic of Modigliani (1961). The empirical research was conducted with the use of multiple regression analyzes applied to a sample of 476 combined observations covering the period 1998-2002. They found no relationship between these policies. The results of this research were as follows: "As the Brazilian market cannot be considered perfect, this evidence shows that any imperfection in other markets is not justified to explain the evidence that there is some relationship between the dividend policy and investments". Other factors that influenced the empirical results include regulation of the dividend. The policy cannot be ignored in this type of analysis. This research only includes variable dividend policies.

Maqueira & Danús, (1998) in their article "Agency Costs and Transaction Costs as Determinants of the Dividend Payment Rate in Chile", analyze determinants of dividend payment rates in Chile. They note that: "Based on a model that minimizes the sum of agency costs and transaction costs, the analysis is based on a cross-sectional study during the period of 1986-1992 for a sample of 60 corporations, whose hypotheses to examine in relation to the dividend payment rate are: a) the lower the dividend rate, the higher the expected future growth, b) the lower the dividend rate, the higher the beta coefficient, and c) the higher the dividend rate, the lower the fraction of the dividend assets that the insiders take and/or a larger number of shareholders own the assets" (Maqueira & Danús, 1998).

Torrez (2006), conducted a study published under the title "The Effect of Dividend Tax Policy on Corporate Investment." This article develops a model that examines the effects that tax reduction had on corporate investment. The authors found that tax reduction increases the cost of corporate capital and reduces investment. Any increase in the value of the stock as a consequence of this act, will be the result of an increase in yields after subtracting taxes and not from increased production. When companies pay less taxes, shareholders entitled to dividends will have more benefits in this way which translates into a lower amount of resources to make investments in new projects that suit the company organization. The company will be forced to seek different means to get resources for future operations.

Another article that talks about the effects of fiscal aspects on dividends and how it affects the price of shares is Ayers, Cloyd, & Robinson (2000). They investigated the effect of an increase individual income tax rates at the shareholder level share values. They examine accumulated daily returns around the approval of the 1993 Income Reconciliation Law on the firm dividend yield. "Specifically, we examined abnormal returns in common shares during the five-day period in 1993, when Congress enacted the Revenue Reconciliation Act (LRI) of 1993, which increased the maximum rate of tax for individuals from 31.0 percent to 39.6 percent hundred. We predict that the tax effect on stock prices is a joint function of the firm dividend policy and the tax status of the company's marginal investor". (Ayers, Cloyd, & Robinson, 2000)

Other studies such as López & Saona (2007) have shown how managerial discretion affects ownership structure and dividend policy. Unlike previous studies, they identify some manifestations of agency costs and have examined the effect that these control mechanisms have on them.

<u>Legal Framework</u>

The distribution of profits of companies (legal persons) via dividend, must be done within a regulatory framework, basically addressing legal two systems: a) In commercial matters, the General Law of Commercial Companies (LGSM) and b) fiscal the Income Tax Law (LISR).

Article 16 of the General Law of Commercial Companies (LGSM) in its Fraction I establishes that "The distribution of profits or losses among the capitalist partners will be proportional to their contributions." Article 19 says that "the distribution of profits only It may be done after the financial statements that cast them have been duly approved by the shareholders' meeting or shareholders" (Undersecretary of the Interior, 1934). In addition, Article 20 of the aforementioned LGSM states that "from the net profits of any company, at least five percent must be separated annually to form the reserve fund, until a fifth of the share capital is paid. The reserve fund must be reconstituted in the same way when it decreases for any reason."

It is also established in Article 113 of the same (LGSM) that "Each share will only be entitled to one vote; but in the social contract it may be agreed that a part of the shares have the right to vote only in the Extraordinary Assemblies that meet to deal with the matters included in sections I, II, IV, V, VI and VII of article 182 clarifies that "Dividends may not be assigned to ordinary shares without first paying the voting shares by limiting a dividend of five percent. When in any social year there are no dividends or are less than said five percent, it will be covered in the following years with the indicated priority "(Undersecretary of the Interior, 1934).

Tax paid by the company is determined by applying the rate specified in Article 9 by multiplying the dividend or profit received by the factor of 1.4286. "Notwithstanding the provisions of the previous paragraph, individuals will be subject to an additional 10% tax on dividends or profits distributed by legal entities resident in Mexico. The latter will be obliged to withhold the tax when they distribute said dividends or profits, and they will receive it together with the provisional payment of the corresponding period. The payment made under this paragraph will be final" (Chamber of Deputies of the H. Congress of the Union, 2013).

In addition, Article 164 of the LISR establishes that income for dividends or profits, and in for profits distributed by legal persons, the source of wealth is in the national territory, when the person who distributes them resides in the country. Dividend or profit distributed by legal persons is considered income referred to in article 140 of this Law. The legal entity making the payments is subject to the provisions of Article 10 of the same Law. This fraction will be reported together with provisional payments in the corresponding month.

In the case of a reduction in the capital of legal persons, the calculation of income distributed per share is determined in accordance with Article 78 of this Law. It shall be made by decreasing the net tax profit balances from said profit. These balances will be determined by dividing the balances of the aforementioned accounts held by the legal entity at the time of the reduction, between the total of the person's shares at the date of redemption, including those corresponding to the reinvestment or capitalization of profits or any other another concept that integrates the accounting capital.

Article 165 of the LISR establishes that in the case of income obtained by a resident abroad through a legal entity referred to in Title III of this Law, it will be considered that the source of wealth is in the national territory, when the legal entity is resident in Mexico. The tax shall be determined by applying, on the distributable remnant, the maximum rate to be applied on the surplus of the lower limit established by the tariff contained in article 152 of this LISR. The tax must be paid by the legal entity on behalf of the resident abroad, together with the declaration indicated in Article 96 of the LISR or, as the case may be, on the dates established for it. The legal entity must provide the taxpayers with a record of the entire transaction.

DATA AND METHODOLOGY

To achieve the objective of this research, we followed a qualitative approach combined with a deductive method to infer the main consequences of the fiscal reform of 2014. The sample selection consisted of the thirty-five companies used to calculate the Price and Quotation Index (CPI) of the Mexican Stock Exchange BMV. Data was taken from the annual report of each company obtained from the BMV website.

An analysis was made of the dividend policy theories and the regulatory framework for the distribution of company profits, especially the reform of the Income Tax Law of 2014 (LISR) and the General Law of Commercial Companies (LGSM). We describe the articles of both legal systems that directly affect the payment of dividends by Mexican companies and the shareholders that receive them, and explain the main consequences of the 2014 Tax Reform.

Model Applied to the Generated Variables

With the purpose of avoiding biases in the results of our study, twenty-four companies have been considered and eleven firms were eliminated from the 35 of the IPC. Necessary data were not available for the eliminated companies. Of the companies that make up the sample, information was obtained from their audited financial statements found in the annual reports, consisting of:

Reform: which marks the before and after the entry into force of the tax reform.

TAX% isr: this variable expresses in percentage terms the increase or decrease in the payment of income tax.

CF to TAX: represents cash flows after taxes expressed in Mexican pesos.

Divp: it is our dependent variable. We want to observe if there are changes in this variable with respect to the aforementioned reform.

ROE: Return on Stockholders Equity indicates the return on shareholders' investment.

EBITDA: Earnings before interest, taxes, depreciation and amortization

Exchange Rate: Shows the exchange rates that were maintained during the period analyzed.

ROA: Return on Total Assets by its acronym in English.

RESULTS AND DISCUSSIONS

We begin by estimating the following model:

$$Divp_{it} = \alpha + \beta_1 \, Reforma_t + \beta_2 TAX\%isr_{it} + \varepsilon_{it} \quad (1)$$

Table 1 shows the results. The R2 of the regression by fixed effects is 0.1322, which shows a good adjustment of the variables for each firm. The variable Reform is presented in the model as a dichotomous variable, which has a level of significance of 0.011% with a negative effect after the tax reform. This is a global effect and not specifically related to the dividend policy. TAX%isr, with significance level of p <0.901 shows that for every increase of $ 90.10 in the payment of dividends there is an almost zero increase, that is to say 0.0000000692 pesos for income tax, It is worth mentioning that this variable only shows a behavior on the Income Tax and our analysis focuses on how the tax reform affects the payment of dividends. The results show the volume of dividend payments decreased considerably in 2014 compared to previous years.

Table 1: Econometric Model (Linear Regression)

Fixed-effects (within) regression			Number of obs	=	72
Group variable: BUSINESS			Number of groups	=	24
R-sq: within = 0.1322			Obs per group: min	=	3
between = 0.0001			avg	=	3.0
overall = 0.0733			max	=	3
corr(u_i, Xb) = -0.0022			F(2,46)	=	3.5
Divp	**Coefficient**		**P>|t|**		
Reforma	-1.314714	**	0.011		
	-2.65				
TAXisr	0.00000000692		0.901		
	0.12				
_cons	2.226606	***	0.000		
	5.25				

The model is a linear regression with fixed effects that shows the relation of dividends with the fiscal reform of 2014 and the taxes paid for income tax (ISR). Source: Own elaboration with data obtained from the Mexican Stock Exchange. Note: (*) significance at 10%, (**) Significance at 5%, (***) Significance at 1%

Table 2 shows the main results. The 35 companies were studied for 3 years, 2013 before the tax reform, 2014 year when the fiscal reform started and 2015 after the fiscal year entry into force of the tax reform.

Table 2: Dividends Paid by Enterprises and Established Policy

	Business Quotation Key	Dividend Policy	Dividend Payments 2013	2014	2015
1	AC	It has established	3.00	-	1.75
2	ALFA	according to results	0.70	-	0.46
3	ALPEK	Annual payment	1.40	-	0.70
4	ALSEA	Annual payment	0.50	-	0.50
5	AMX	Two payment each year	0.22	0.24	0.56
6	ASUR	It has established	8.40	-	-
7	BIMBO	It has established	0.52	-	-
8	BOLSA	Annual payment	1.08	1.09	0.96
9	CEMEX	It has established	-	-	-
10	ELEKTRA	It has established	4.50	-	2.40
11	FEMSA	It has established	1.50	1.50	ND
12	GAP	It has established	S	S	S
13	GCARSO	It has established	4.00	0.80	0.84
14	GENTERA	It has established	1.00	-	0.76
15	GFINBUR	It has established	3.00	0.38	0.42
16	GFNORTE	percent of annual profits	1.56	0.25	0.73
17	GFREGIO	Residual policy	1.35	-	-
18	GMEXICO	It has established	0.98	0.91	0.98
19	GRUMA	It has established	-	1.50	1.60
20	IENOVA	It has established	-	-	-
21	KIMBER	Residual policy	1.32	1.40	1.48
22	KOF	No information	-	-	-
23	LAB	It has established	-	-	-
24	LALA	It has established	0.38	-	0.51
25	LIVEPOL	It has established	1.93	-	0.81
26	MEXCHEM	Residual policy	0.50	0.50	0.50
27	NEMAK	It has established	-	0.96	0.96
28	OHLMEX	It has established	-	-	-
29	OMA	It has established	Actions	Actions	Actions
30	PE&OLES	It has established	16.63	1.90	1.51
31	PINFRA	It has established	-	-	-
32	SANMEX	It has established	2.50	0.51	1.00
33	TLEVISA	It has established	0.70	-	0.35
34	VOLAR	It has established	-	-	-
35	WALMEX	It has established	0.92	1.38	1.84
		Total dividends paid companies	28	15	26

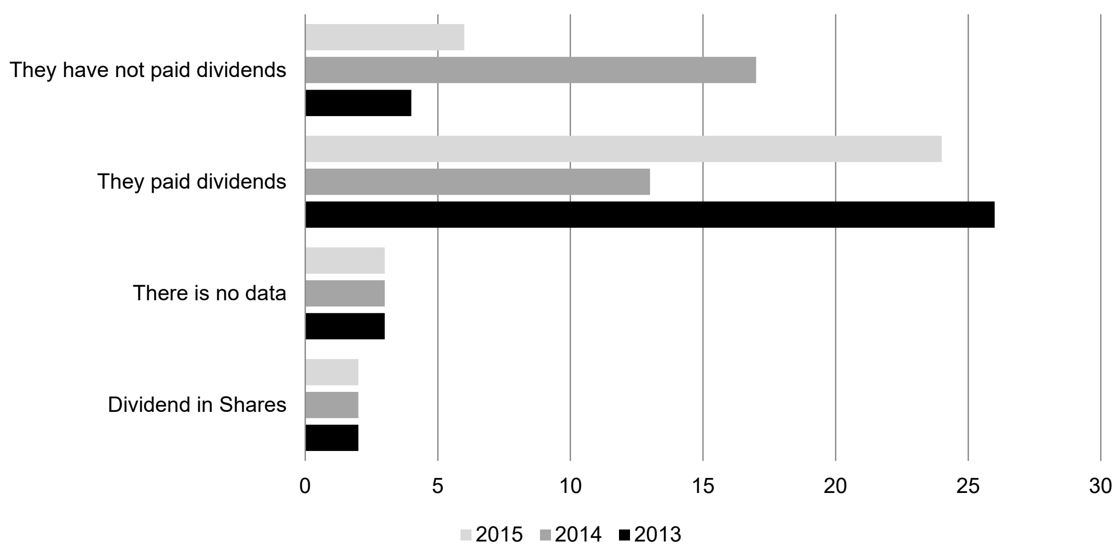
Table 2 shows the companies that make up the CPI price and quotation index, the type of dividend policy that they declare in their annual reports and the amount paid for that concept during the years: 2013, 2014 and 2015 Source: Based on data obtained from the annual reports of each company.

Table 2 shows that during the three years dividends have been paid in shares by two companies. For an additional 3 companies it was not possible to obtain data. Table 2 shows that 26 companies do not have a dividend policy established and every year they pay dividends according to their generated profits; three companies established an annual dividend payment; one company established two dividend payments every year; three companies have established a policy based on the residual theory. That is to say that profits are first used to finance projects. If there is surplus is distributed as dividends to the shareholders.

It is important to note the fiscal reform of 2014 generated changed expectations among the executives of the companies. They appear to have changed their opinions on distributed dividends and the economic repercussions that would result both in the companies and in the shareholders who received them. There was a significant decrease in the number of companies that paid dividends in 2014. This is as expected in light of the 2014 tax reform.

Figure 1 shows that 35 companies were analyzed, which form the sample for calculating the IPC of the BMV. The analysis includes three years of data (2013, 2014 and 2015). Companies paid dividends as follows. In 2013, 28 companies paid dividends, with 26 in cash and 2 in kind (shares); 19 paid dividends in 2014 with 17 paying in cash and 2 in kind (shares); and 26 in 2015 with 24 in cash and 2 in kind (shares).. The number of companies that paid dividends in 2013 decreased significantly in 2014 and increased again in 2015.

Figure 1: Dividends Paid by the 35 Companies IPC



Source: Own elaboration with data obtained from Table 1

CONCLUDING COMMENTS

The objective of this work was to show the impact of the 2014 fiscal reform in Mexico, using data on dividends paid by the companies for 3 years (2013, 2014 and 2015) surrounding the Tax Reform. We use a regression econometric model. Some 26 of the 35 companies analyzed have not established a dividend policy. Each year they make a dividend payment based on the profits obtained. The number of companies that paid dividends in 2013 was 28 and in 2014 it was reduced to 19 returning to normalize in 2015 where 26 companies pay dividends.

The mercantile companies, (legal or moral persons) with the fiscal reform 2014 have had increases and decreases in tax obligations. However, the ISR rate has remained the same for said taxpayers. Individuals have been most affected by the reform because (1) the ISR rate in 2014 was raised to a maximum rate of 35% when in the 2013 fiscal year the highest rate was 30%; (2) when the individual has dividend income you they have to accumulate them to their other income and pay an additional 10% which raises the ISR rate to 45%.

The main findings of this research work have been the following: The fiscal reform of 2014 did not send a good signal to the market. On the contrary, it generated negative expectations in the boards of directors and corporate governments of the companies. The number of companies that regularly paid annual dividends did so until 2013 and in the year 2014 many companies did not pay dividends as shown in the results presented here.

Due to the expectations generated by the information of the fiscal reform that would come into force in 2014, some companies advanced the payment of dividends at the end of 2013 to avoid an effect of the additional tax on dividends that came into force in 2014. The payment of advanced dividends at the end of 2013 has had other financial repercussions in the companies. For example, the stock price falls after the payment of dividends. In addition, some requested bank loans for the payment of dividends in cash, and have paid interests that are not tax deductible. This affected the liquidity and solvency ratios of these companies. Some companies lost the opportunity to integrate profitable investment projects due to the decapitalization by payment of advanced dividends.

The main limitations of the document are that the 35 companies studied are not all included in the econometric model because they do not have the complete information of some stations. In this document only the impact of the tax reform on dividends is analyzed. However future analysis can be applied to measure the impact on other variables such as cash flows, the value of companies and ROE. In our opinion, the tax authorities should procure mechanisms to broaden the base of taxpayers and not increase taxes more to captive taxpayers.

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