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Patriotic Taxation Or Unpatriotic Redistribution?

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The unruly Democratic coalition can unite around little other than raising taxes. Only with higher revenues can the various interest groups carrying the Democratic banner enrich themselves at public expense.

Not surprisingly, few people who actually work and pay taxes are enthused about turning more of their money over to Washington. So big-spending pols have to resort to increasingly creative arguments for pushing up the government's take.

The campaign to fill government coffers naturally has focused on the "rich." (Luckily, I guess, I don't qualify under anyone's definition!) [Senate Majority Leader Harry Reid is pushing](#) a resolution declaring that "it is the sense of the Senate that any agreement to reduce the budget deficit should require that those earning \$1,000,000 or more per year make a more meaningful contribution to the deficit reduction effort."

Offering more than boilerplate rhetoric is former Labor Secretary Robert Reich, who proposed returning to a top income tax rate of 70%. Still, he could have gone higher: the top rate once ran 91%, before President Jack Kennedy's across-the-board rate cuts.

A more peculiar advocate for higher taxes is "[Patriotic Millionaires for Fiscal Strength](#)." The group has a website and its members wrote an open letter urging the president and congressional leaders "to put our country ahead of politics." How? By increasing taxes on incomes greater than a million dollars.

Argued PMFS, "Our country faces a choice—we can pay our debts and build for the future, or we can shirk our financial responsibilities and cripple our nation's potential." There's no discussion of cutting spending, which has exploded in recent years. Rather, argue these "patriotic millionaires," a decade ago Congress "made a mistake. You decided our country needed less money, and millionaires like me needed more." The obvious answer: "Please do the right thing for our country. Raise our taxes."

Actually, tax cuts don't reduce money for "our country." Tax cuts reduce money for the government. The two are not the same.

If there is one truth in life, it is that Washington spends far more money than it should. Indeed, Uncle Sam squanders money on a grand scale. There is the usual waste, fraud, and abuse. [The redundant and ineffective programs](#). The pork used to reelect legislators. The consistent refusal of the governing establishment to treat the taxpayers' money as anything other than a great common pool to use for political advantage.

The greatest waste of money is not inadvertent inefficiency, but intentional redistribution from the economically productive to the politically influential. Why billions in pork? Why tens of billions in corporate welfare? Why hundreds of billions in [subsidies for rich foreign allies](#)? Why more than a trillion in [middle class welfare](#)?

The deficit is too high because the government spends too much, not because Washington collects too little. In the decade following the Bush tax cuts federal revenue actually rose, just not as much as it would have otherwise. As a percentage of GDP federal tax revenues, despite the Bush tax cuts, continue to run around the historical average of 18%.

From 2001 to 2011 a projected surplus of \$5.6 trillion turned into a real deficit of \$6.1 trillion. [Noted the Heritage Foundation's Brian Riedl](#), the "tax cuts were responsible for just 14% of the swing." A similar analysis [by the Tax Foundation's Scott Hodge](#) figured that number at 16%.

The biggest factors by far were increased spending and lower economic growth. Today's huge deficit is almost entirely due to them, as the impact of the Bush tax cuts continues to diminish. There are many people to blame for exploding deficits, but not because they reduced income tax rates.

The future is even clearer. [Over the last 40 years revenues have averaged about 18% of GDP.](#) The Congressional Budget Office projects that tax collections will run about 18.2% of GDP in 2020, even if the Bush tax cuts are preserved. In the past, outlays averaged 20.3% of GDP. The CBO expects that to go to 26.5% without action. Spending is the problem.

But the issue is not partisan. Republicans bear equal responsibility with Democrats — the Medicare drug benefit was a budget-buster just like health care "reform," and the misguided Bush administration wars have turned into unfunded liabilities. However, the answer is not handing more of people's earnings over to the same legislators who have so prodigiously wasted past monies.

The "patriotic millionaires" would do more good if they campaigned to stop legislators from gaily wasting taxpayers' dollars day in and day out. Only politicians would benefit from a tax hike like that suggested by PMFS.

Still, if the "patriotic millionaires" really believe the government collects too little money, they should personally contribute more. The

organization argues increasing taxes “is both an ethical and patriotic decision,” but there is nothing ethical or patriotic about taking other people’s money. Real fiscal patriots would give more of their own cash.

Earlier this year Sen. Orrin Hatch (R-Utah), ranking member of the Finance Committee, wrote the PMFS coordinator to helpfully point out that “For those that are interested in making voluntary contributions to pay down the national debt, the process is both easy and advantageous.” Voluntary payments to reduce the debt came to only \$3.1 million in 2010, leaving much room for the “patriotic millionaires” to help out.

The PMFS responded rather churlishly, denouncing the idea of allowing people to “opt out” and noting that the government even used rationing during World War II. But the biggest problem, argued PMFS, is that “we are a very small group. If there were even the remotest chance of making a noticeable dent in the problem by acting alone we would have done it already.” So it appears that there are virtually no “patriotic millionaires” ready to give politicians more money to waste. Rather, the PMFS apparently represents a few “unpatriotic redistributionists” who mostly want to take more of *other people’s money*.

In support of raising taxes the PMFS members contend that “We have been more fortunate than most people.” But they also likely pay more taxes than most people. In 2008, the last year for which the figures are available, [the top 1% of earners paid 38% of total income tax levies](#); the top 5% paid 59%. The top quarter paid 86%.

These numbers generally have been increasing over time. They rose after the 1986 Reagan tax reform, which kicked many poorer people off the income tax rolls entirely. The shares of taxes paid by wealthier Americans also rose after the Bush tax cuts.

In contrast, the share of income taxes paid by the bottom 50% started out below 10% and fell steadily over time, to less than 3% in 2008. In fact, federal policy, particularly the earned income tax credit and child credit now mean that [almost half of filers pay no income tax](#). Virtually

no one in the bottom income quintile and only a minority in the next quintile owe anything.

Never mind, says PMFS. Member Paul Egerman argued that “If our country is really broke, then we can’t afford to give tax cuts to people like me.” However, tax cuts give nothing. Rather, they allow people of all income levels to keep more of their own money, money usually earned through hard work, risk-taking, investment acumen, and/or entrepreneurial insight.

Yet the worst blindness is the failure to address what additional revenues would be used to finance. To Sen. Hatch’s argument that the deficit reflects overspending, replied PMFS: “This is quibbling over semantics. Deficits result when spending exceeds receipts. Whether that happens because spending is too high or receipts are too low is a matter of perspective and priorities.”

It is a matter of perspective and priorities, which must be addressed. If the U.S. was locked in a struggle for national survival, then one might call on the American people for a maximum sacrifice. But the exploding deficit reflects old-fashioned tax-and-spend politics. Hiking taxes would reward those responsible for America’s current financial travails.

So the “patriotic millionaires” shouldn’t wait on others to join them. If they believe there is an “ethical and patriotic” obligation to pay more, they have a duty to act. Right now.

The easiest step, as suggested by Sen. Hatch, would simply be to give money to reduce the national debt. But that should be just a start.

So-called economic patriots should routinely inflate their income tax liabilities. Whether they are patriotic billionaires, millionaires, or even thousandaires, they should engage in a little creative accounting. One of the virtues of America’s outrageously complicated tax system is the fact that it offers many opportunities for paying more to the government.

Pick up the 1040. Don’t claim dependents, irrespective of how many children one has. Take the standard deduction instead of itemizing.

Claim extra interest, dividends, and miscellaneous income. Maybe even toss in some nonexistent alimony.

On the Schedule C make up income and don't claim expenses. Do the same with capital gains. What self-respecting "patriotic millionaire" would take advantage of unfair loopholes in order to deny Uncle Sam needed revenue?

Finally, inflate taxes owed. Don't take any credits and toss in some "additional taxes" at the end. The IRS might be a bit perplexed about how the numbers were derived, but the agency isn't likely to turn down extra cash.

This strategy can be repeated year in and year out. "Patriotic millionaires" should do the same for their state and city taxes. Those governments also need money, lots of it!

There is much wrong with America's tax system. The personal income tax is complex and intrusive. High corporate tax rates place the U.S. at an international disadvantage. Excessive capital gains taxes discourage investment.

But one thing is not a problem: paying the government too little.

It would be nice if all millionaires were patriotic. But love of country does not mean campaigning for increased taxes that would spark even more greedy raids on taxpayers. The best way for everyone to demonstrate their commitment to America would be to battle against the non-stop special interest looting that occurs in Washington.