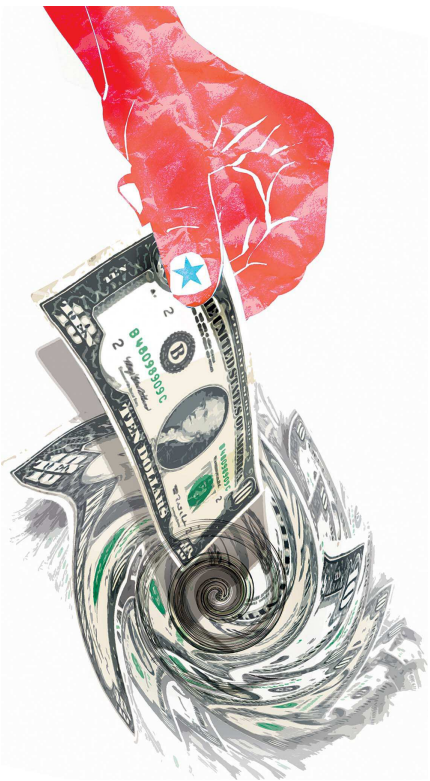


THE ORANGE COUNTY REGISTER

Letters blog: The tax code is onerous

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ORANGE, **Steve Olivier:** Wake up O.C. Register journalists before reporting on the tax burden [["Taxes reach historic lows, April 17"](#)]. Get out your notes from Economics 101 and get some input from the folks at the [Howard Jarvis Taxpayers Associatio](#)n. The only thing historical that is happening is the near-Depression length and depth of the recession. This has caused per capita income to fall dramatically and tax revenue as a percent of per capita income to fall slightly. The underlying tax code is still as onerous and anti-economic growth as ever.

The tax code is progressive. Progressive in this sense does not mean forward thinking or enlightened as liberals would like to think of themselves. Progressive is an economic term meaning marginal tax rates are higher on higher incomes. So when everyone's income falls during a recession, then on average we pay taxes at lower rates on lower incomes. And, not surprisingly or particularly newsworthy, taxes as a percent of per capita income decrease.

You should know better than to confuse past, anecdotal high marginal tax rates with the current tax structure. In the past super high marginal tax rates applied to so few people and so little taxable income as to be insignificant from a tax revenue point of view. Instead try taking all past tax rates from when there was no income tax and adjust the brackets for inflation to a common dollar value today. The only historical trend you can find is that taxes increased over time.

Wisckol did a miserable job reporting on the minuscule number of economists who think higher taxes may not lower economic growth. When something makes no sense at face value shouldn't you investigate and find out who these people are and who pays for their research? It is ridiculous to surmise that taxpayers will stick under the mattress any extra income associated with a tax decrease. The half of the population that actually pays taxes and would benefit from a tax decrease have something on the ball. If incremental money was available for savings, it would be invested in interest earning vehicles such as stock mutual funds that are at the heart of true economic growth.

Incredibly, you report that some economists think ongoing government deficit spending can help economic growth. In the long term this is impossible as the vast amount of government spending goes to government employees for salaries and pensions and for entitlements. These do not produce the money "multiplier effect" that leads to economic growth. An infinitesimal percent of government spending goes to the projects mentioned in the story that can help growth. This seems to be practically by accident as the government "invests" using a shot gun approach. The recent stimulus spending has proved there are very few shovel-ready government funded projects that help growth. Instead, they are one shot pork projects like the bike path improvements in Orange.

You imply we have some room to tax higher so as to be more like socialist European countries. Let's leave aside the fact that Greece and Portugal are bankrupt. And that socialism is un-American. Historical and current economic growth in Europe is lower than ours. Apparently, for the "greater good" Europeans have accepted less on average. Please let them have at it.

Lastly, It is possible the current tax code is too progressive. The recent "loopholes" in the tax code you refer to serve to make the tax code more progressive because they are means tested. Deductions for college expenses and the like phase out and then disappear for high earners. On the other hand, credits for "Make America Work" and other income redistribution plans in the tax code are available only to low earners. As has been shown in California, progressive taxation leads to wide swings in government overspending and making unwise future commitments like pension boasts during good times to truly historic deficits during bad revenue generating times.

RANCHO SANTA MARGARITA, **Patrick Buckley:** As a Register reader for over 40 years, I was surprised at the lack of objectivity in the front page story "Federal taxes fall to historic lows". Author Martin Wisckol apparently had a desired conclusion in mind before writing the article and then went about choosing select statistics in an attempt to prove that point.

The most obvious evidence of Wisckol's agenda was his choice of sources. Most of his research came from the Tax Policy Center, a liberal, East Coast-based organization comprised of ex-government workers. There was no rebuttal of their positions from organizations such as the Cato Institute or The Heritage Foundation. Had Wisckol actually acted as a journalist rather than a shill, I'm sure he would have avoided:

- Intermixing federal income taxation and overall taxation as if they were the same thing. He chooses the statistics from the former and attempts to form a conclusion about the latter. That is a sign that Wisckol is either extremely ignorant or extremely disingenuous.
- Choosing to use the taxes paid for median income as the statistical point to declare that overall income taxes have dropped. That is statistical cherry-picking, especially since nearly 47 percent of U.S. adults now pay zero income tax (meaning the median will be a lower number than the average).
- Ignoring that the dollar amounts paid in taxes are lower the last few years because the country went through a recession, not because our tax system has suddenly become less burdensome.

His entire article is full of holes such as those, although he does unwittingly submit a graph that disagrees with his headline that "taxes reach historic low". The Tax Freedom Day graph shows an increase from decade to decade since FDR took office, with the trend finally reversing in 2010. What Wisckol accidentally includes is the increase from 2010 to 2011. The conclusion one could draw from that data is that ever since FDR, our tax burden has continued to increase until President George W. Bush took steps to change its direction in the 2000s, steps which are now being negated by our current president. This means that the Tea party movement is not as ignorant as he paints them, rather they have a much better understanding of what our tax burden is than Mr. Wisckol gives them credit for.

TRABUCO CANYON, **M. Knudsen:** Martin Wisckol's article provided interesting insights about the behavior of our elected officials. The Heritage Foundation says Federal spending per household rose from \$11,337 in 1965 to \$31,088 in 2009. Yet, tax revenue per household over that same period increased from \$11,202 to only \$16,543. The Feds obviously didn't have the heart to ask Americas to pay the bills they were running up on their behalf, so they just borrowed the money. What household would argue with getting \$2 of government services for every \$1 of tax? We elected folks to do that for us. Sweet!

President Obama's latest plan is to get more from the rich (I guess he's given up on reducing waste, fraud, and abuse). Well, again, according to Heritage the top 10 percent of income earners (I guess we might call them the "rich") already pays 71 percent of all Federal personal income tax. The top 1 percent (the really rich) paid 40 percent. By contrast, the bottom half – yes half – paid just 3 percent. So, the rich folks are paying plenty, and the president knows this as well as anyone else. But it makes for great sounding speeches to say stuff like that. Unfortunately the money's just not there. It's surprising they get as much as they do, given the campaign contribution power of the rich. So, this idea of getting more from the rich is simply empty rhetoric.

The article quotes economist Adibi as saying, "spending is out of control." That is the real problem. The use of deficits has allowed elected officials to avoid making the simple trade-offs every household in America has to make. It's called living within your means. A number of the European countries we now see in economic trouble were at one time in there histories the greatest economic powers in the world, as America is today. As we now

know, none was "too big to fail." Let's not let that happen here. It's time to go "cold turkey" and balance the budget.

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