

TAXING THE RICH

By Neal Boortz

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Senator Kent Conrad (the self-professed "deficit hawk") wants to increase taxes on the evil, rotting, disgusting rich. In a hearing yesterday ... a hearing I'm surprised got any coverage considering the hearing on the radicalization of Islam ... Conrad proposed that we get rid of many tax deductions and credits for the rich. Why? Because they are contributing to the "wide disparity" between what the left likes to call the "haves" and "have nots." Then they dragged up a tax expert to give [this little misleading analysis of our tax system](#):

Citing recent research by tax expert Martin Sullivan, Mr. Conrad said a resident of a typical Park Avenue building in New York - with average household income of \$1.1 million - is paying taxes at an effective rate of about 15%. But the rate for janitors in the building hovers closer to 25%, Mr. Conrad said. "I don't know how anybody can defend or justify that kind of tax burden," Mr. Conrad said.

Do I really need to spell this one out again? Well yeah ... I do. I need to spell it out because you will reach Medicare eligibility age waiting for the Washington and DC corps to do so. We went through this a few years ago when Warren Buffett proclaimed that he was taxed at a lower rate than his secretary.

So ... here's how it works:

It depends on what's being taxed. Are we taxing earned income or investment income here? Let's see ... a Fifth Avenue janitor vs. a Fifth Avenue resident. Hmmmmm. Which one of these people is more likely to be paying income taxes and which one paying investment taxes? Damn ... my brain is just smoking trying to work this out, but I've come to the conclusion that the Fifth Ave. resident is more likely to be an investor than the janitor ... which means that he is more likely to be paying capital gains taxes than the janitor, who will be paying income taxes. The capital gains tax rate? Why, that's 15%! And most of you know what the income tax rates are

Kent Conrad knows full well the difference between capital gains tax rates and income tax rates ... but he also knows that most of the people in this country simply don't make that connection when he's talking about the janitor and the rich guy. Conrad knows that his words - and the expert he trotted out - leave people with the impression that the evil rich guy is somehow cheating the system by not at least paying as much in taxes as the poor, poor, pitiful janitor. This is exactly what he WANTS the people to believe - because Conrad is a class warfare Democrat who seeks power by pitting people against one another.

Hardly a day goes by that we don't hear from someone about taxing the rich to handle our deficit. Most of these people know this won't solve the problem ... but it will gain them points with their constituents. Increasing taxes on the rich isn't going to solve our deficit crisis. If you don't believe me, maybe you will believe my bank of research - from the Cato Institute, Heritage Foundation, Congressional Budget Office. Perhaps Kent Conrad wants to drag some of these experts up to the stand and run his little idea passed them - that we can solve our fiscal crisis by increasing taxes on the rich - and see what kind of an intellectual smack-down he receives.

Â· [Three little pigs: How entitlements will destroy us \(NYPost\)](#)

Nor can you tax your way out of debt. Eliminate all of the Bush tax cuts, including the tax cuts for low- and middle-income Americans, and you would reduce the debt by perhaps 10% -- assuming you didn't cripple the economy in the process. Tax the rich? That won't get you there either. In fact, according to the Congressional Budget Office, in order to pay for all currently scheduled federal spending would require raising both the corporate tax rate and top income tax rate from their current 35% to 88%, the current 25% tax rate for middle-income workers to 63%, and the 10% tax bracket for low-income workers to 25%.

Â· [Taxing the Rich Won't Work \(CATO\)](#)

The President's urge to penalize mature, two-earner educated couples earning more than \$250,000 is symbolic populism, having essentially nothing to do with reducing the deficit. Table S-2 of the Budget (p. 147) lists "Upper-income tax provisions dedicated to deficit reduction" as just \$34 billion in 2011 -- less than 1% of estimated spending of \$3.8 trillion. Errors in estimating next year's deficit have often been much larger than \$34 billion, particularly during the early stages of economic recoveries.

(While you are at it, you may want to read about the behavioral responses of punitive marginal tax rates on high-income families)

Â· [You Can't Tax the Rich Enough to Close the Deficit \(Heritage Foundation\)](#)

Closing the more than \$1 trillion deficit Obama's spending would produce in 2020 by taxing only the rich would require a top income tax rate of 134 percent. Of course it is impossible to tax more than 100 percent of any taxpayer's income. More importantly, any rate even approaching such a dangerous level would destroy the economy. Period. So even if it were mathematically possible to tax more income than the rich earn, there would be none of it left for the government to confiscate.

Â· [Soaking the Rich Would Not Solve the Long-Term Deficit Crisis \(Heritage Foundation\)](#)

In a recent New York Times article, David Leonhardt describes several ways to achieve this using the puzzle. He suggests allowing the 2001 and 2003 tax cuts to expire for

incomes above \$250,000, enacting a 5.4 percent surtax on millionaires' income, and restoring the estate tax, capital gains, and dividends to Clinton-era levels. In addition, he lifts the cap on the Social Security portion of the payroll tax, reduces the Social Security benefits for high-earners, reduces the number of tax deductions for high-income households, and enacts a bank tax. What would be the result? According to Leonhardt, "you'd get about \$570 billion of the \$1.3 trillion in needed deficit savings for 2030--or 43 percent." In fact, selecting all of the options to increase taxes--including the crippling carbon and national sales taxes, which would hit all Americans--would still leave a deficit in 2030.

Â· [Deficit: Taxing the 'rich' won't work \(Market Watch\)](#)

Given that we had a deficit of \$1.3 trillion even after taking in \$899 billion in total income tax revenues, does anyone in his or her right mind think raising income taxes on everyone or 'raising taxes on the rich' would solve the problem? We would have to see income tax revenues from everyone go up by more than a double. That is, with a \$1.3 trillion deficit for 2010, we would need an extra \$1.3 trillion in income tax revenues on top of the \$899 billion we got in 2010.

Â· [Deficit chairmen say both parties getting it wrong on budget cuts \(The Hill\)](#)

Deficit Committee Chairman Erskine Bowles imparted a sobering reality. The Hill reports, "He said that you cannot simply tax or cut spending to get out of the crisis. To tax your way out, the top marginal income tax would have to be 70 percent, and the corporate tax would have to be 80 percent."

So how do we really get ourselves out of this mess? We stop the runaway spending increases ... return spending to the 2008 level ... and grow the economy. That's how. Allowing our businesses to do what they do best will generate more revenue and less government dependency. This isn't likely, however, so long as we are ruled by a president who believes private businesses to be America's enemy. His words, not mine.

Back in the 1920's President Calvin Coolidge said that "The business of America is business." Now we have a president who believes that the business of America is government. Look around you ... this is where Obama's worship of government brings us.

More reading for you: [The Heritage Foundation has five pro-growth solutions](#) that we could use under our present system to make our businesses more economically viable.