

# Omaha World-Herald

## Warren Watch: Buffett fires back at Cato criticism of tax comments

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December 28, 2015

A think tank official criticized Warren Buffett's latest comments about wealthy people and income taxes, and now Buffett is firing back.

You'll recall that this month Buffett, chairman and chief executive of Berkshire Hathaway Inc., spoke at a political rally at Omaha's Sokol Auditorium with Democratic presidential candidate Hillary Clinton.

Buffett said the Internal Revenue Service reported that, in 1992, the nation's 400 highest-income taxpayers had an average income of \$47 million and an average income tax rate of 26 percent. Twenty years later their income averaged \$336 million and their tax rate 16.7 percent.

The wealthy shouldn't be criticized for following tax laws, Buffett said. "They're good citizens, but the game has been stacked in their direction. ... It's going their way."

That prompted Chris Edwards, tax policy director for the Cato Institute, to write in a newsletter that the average tax rate dropped because of lower rates for capital gains and dividends that were in effect in 2012 and have since been rescinded. Otherwise, he wrote, the tax rate is virtually unchanged.

"Buffett probably wants people to believe that nefarious loopholes caused the drop, but the real reason was a serious policy change widely supported by economists and tax experts," Edwards wrote.

"So Buffett's complaint about the tax rate on top earners is really a complaint about tax reforms for capital gains and dividends. Rather than trying to inflame liberal voters with out-of-context data, Buffett should provide his economic arguments about the proper treatment of capital gains and dividends in the tax code."

Edwards said the IRS figures also show that the share of overall federal taxes paid by those 400 people "rose from 1.04 percent in 1992 to 1.89 percent in 2012. Buffett is quoted saying of the Top 400, 'the game has been stacked in their direction.' But if the Top 400 are paying a higher share, the game is clearly stacked against them."

In response, Buffett said in an email from Berkshire's office:

“Only the Cato Institute would come to the conclusion that the top 400 — earning an average of over \$330 million each in 2012 and enjoying a sevenfold increase in earnings over their counterparts of 1992 while simultaneously getting a reduction in their rate for combined income and payroll taxes — are playing in a game that is ‘clearly stacked against them.’”

He said he asked those at the rally whether their income increased sevenfold and their tax rate was cut by one-third during that period.

“I didn’t see any hands go up,” Buffett wrote. “If there is class warfare being waged, it is by the rich with lobbyists as their warriors — and it is they, not the people at Sokol Auditorium, who are winning.

“I would be ungracious, however, if I didn’t thank the people at Cato, and others who are like-minded, for their success in minimizing the federal taxes I am required to pay.”

### **Goodfellows auction winners**

Jim and Cheryl Milroy have been regular Goodfellows donors for 15 years, a charitable preference they picked up from his late mother, Dorothy Holmberg.

“She loved reading the Goodfellows stories,” Jim Milroy said, and she passed along her love of making charitable contributions.

This year the Milroys decided to increase the amount they donate and made the winning bid of \$1,250 in our auction of a copy of my World-Herald book, “The Oracle & Omaha,” autographed by Buffett especially for Goodfellows.

Milroy, who analyzes human factors for the Omaha communications company West Corp., likes Goodfellows’ local focus and the fact that all donated money goes to help people in need, with the newspaper picking up all administrative costs. “I tell people it’s the best thing to give your money to.”

### **A nervous christening**

Buffett’s daughter, Susie, had one concern when she traveled to Mobile, Alabama, last week to christen the USS Omaha, the latest U.S. Navy ship to bear her home city’s name.

Namely, would that ceremonial Champagne bottle break?

Stubbornly tough bottles or weak swings can add comedy to the festive but momentous atmosphere of such occasions. When the USS Milwaukee was christened in 2013, the bottle didn’t break until the 10th swing.

Buffett, the sponsor for the ceremony marking the USS Omaha’s completion, got some advice from admirals’ wives who had christened ships:

Swing the bottle like a baseball bat, and make sure you keep alive the string of five consecutive first-try smashes at christenings of similar vessels at the same dock.

After some practice with a bottle-shaped piece of wood the day before, Buffett perfected a short but forceful punch-swing, the kind designed to snap a baseball into the outfield.

When the big moment came, Buffett cried, "I christen thee USS Omaha! May God bless this ship and all who sail on her." She smashed the bottle against the bow, creating a proper spray of Champagne on the hull.

"The pressure was on," she said later. "I've never lifted a Champagne bottle before. I was VERY determined to make it break on the first shot."

### **Praise for mediator**

Who better to resolve a long-standing dispute between pilots and an airline than a former Trans World Airlines flight attendant?

Both sides expressed satisfaction with the recent agreement reached by Berkshire's NetJets division and the NetJets Association of Shared Aircraft Pilots, ending a labor standoff that began in June 2013 and brought picketing pilots to Berkshire's shareholders meeting in Omaha this past May.

NetJets Aviation President Shane Eyer praised Victoria Gray, a mediator for the National Mediation Service, "for her guidance and direction since joining the negotiations earlier in 2015."

Gray started her transportation career as a flight attendant and has 40 years of experience in airline industry labor relations, serving as an elected official with the Transportation Workers Union, the Independent Federation of Flight Attendants and the International Brotherhood of Teamsters.

According to her official biography, she is a member of the Pro Bono Panel of Mediators for the Los Angeles County Superior Court and has graduate studies in alternative dispute resolution and industrial relations.

The Allied Pilots Association, which represents 15,000 American Airlines pilots, said the NetJets agreement is "another recent example of pattern bargaining beneficial to professional pilots."

Association President Keith Wilson said the new agreement maintains company-funded health insurance and includes enhanced scheduling options, seniority rights, a signing bonus and wage increases averaging 28 percent over five years.