



Don't Be Fooled by Stories that the Rich Pay Eighty Percent of the Taxes

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Year after year around tax time, a tired war horse of a story gets trotted out about how the heavily burdened rich already shoulder eighty percent of the tax load. Poor rich. They are oxen doing the heavy pulling to make things easier on the rest of us dumb cows. Thank God we have them!

Don't believe a word of it!

The tax burden of the beleaguered rich

Or, more importantly, look at the words that are *not* being spoken by the lap cats of the super wealthy who like to croon over this story around tax time. One recent rendition of it appears in *The Washington Free Beacon*:

While ... top earners contributed almost four-fifths of the total amount of individual income taxes, they represented only 16 percent of the total number of individual income tax returns reported to the IRS.

In other words, a little shy of 20% of the populace pays 80% of the individual income taxes. That sounds grossly unfair. What an enormous burden the powerful are carrying for the rest of us. Let's hope we always have them here to support us. According to the article above, only a liberal could love this unfair saddling of the rich with the load created by the rest of us:

"Liberals say that high earners pay a high share of taxes only because they have high incomes," explains Chris Edwards, a tax policy expert at the Cato Institute. "But high earners also pay much higher tax rates than everyone else.... The [Organisation for Economic Co-Operation and Development] has found that the United States has the most 'progressive' or graduated income tax among all high-income nations," Edwards said. "If Congress proceeds with major tax reform next year, it should focus on making the tax code more equal and proportional. The level of progressivity in the tax code has become extreme."

Odd because the OECD has also found that the US has the greatest wealth disparity of any nation in the world. Apparently, then, the nation's "progressive" tax structure is not crippling the opportunities of the rich to rise even higher after all. (That would seem to be the right way of putting those two statements by the OECD together harmoniously in order to look at the full truth in what they say, rather than just the convenient part as Edwards did.)

Edwards apparently lives among the top twenty percent or aspires to arrive there soon since he refuses to tell the full story ... as does everyone who reiterates this tired tale. I've argued here before that the US tax code only looks overly progressive to those who are intentionally blind. They live in economic denial because they know that thinking through the truth wouldn't take them to the tax reductions they lust after and the wealth fantasy they hold for their future. The fact is that the top 20% pay 80% of the income tax *because they make 80% of the money*, and that is what always gets left out of the story. (Moreover, the full story gets worse -- far worse -- so keep reading.)

It is hard for people to believe that the huge majority of all the money made in the US is going to such a small percentage of the population. As a result, when they hear that this group is paying 80% of the taxes (oh my!), they think that group is clearly pulling more than its fair share of the load. (Let's hope they never get mad at us for it and decide to stop.) I mean, expecting 20% of people to carry 80% of the load is crazy!

Actually, the crazy truth is that so much money is made by so few that their taxes only appear to be an unfair burden. The wealthy's portion of all income *tax* paid in the country looks outlandishly huge, yet it is lower than their portion of all money made in the country. (As has been often said, "I'd love to pay*their* taxes.") In fact, the higher you look into the wealth strata, the crazier the truth becomes.

Edwards claimed the rich are taxed at a much higher rate. That is entirely a smoke screen, and congress knows it. Do you really believe that the rich make most of their wealth from PAY CHECKS? Heaven forbid! That's dirty money. They make it from capital gains income, which has been taxed at a LOWER RATE than other kinds of income for a very long time. It began on the basis that the tax savings to the rich will trickle down from these behemoth job creators to the poorer class, but that clearly has not happened. George Bush Sr. rightly called it "voodoo economics" until he sold out to the scheme in order to get the vice presidency.

Let's take a closer look at what taxes the rich really pay!

Those people who make \$10,000,000 or more a year, make only about fifteen percent of their total income from wages/salaries. Capital gains accounts for about fifty percent of their income. The rich make their money from money -- from capital gains, dividends, interest, etc. While these people are in an income-tax bracket of 39.6%, which applies to their salaries and interest, their maximum capital gains rate is only 23.8% ... and for a long time was lower than that.

So, the higher tax rates for the wealthy are fiction because they don't apply to the real world of the rich ... especially the *really* rich. The 23.8% that the rich pay on half of their income is no more than what the middle class pay on theirs ... and less than some of the middle class pay.

The richer you are, the lower your tax rate on most of your income because of how you make your money.

The higher income-tax bracket is how your government pretends to be taxing the rich more than anyone, while actually taxing the richest of the rich far less. Our bought-and-paid-for politicians put that tax rate in the code as window dressing so that the little and the medium people will all think the rich are paying the lion's share. In fact, their lap cats pay more than they do.

The very area where the fabulously rich make all their money gets a tax discount. This tax break was designed specifically to create a huge bubble economy in the stock market -- to pump up the casino. It has done that extremely well for three decades. Income disparity is growing between the rich and the middle class because most of the middle class (and all those under them) cannot afford to risk gambling in the Wall Street casino to any significant degree.

This cut rate tax for the supremely wealthy was created on the pretense (maybe at one time on the *belief*, but we are without excuse if we don't know better by now) that rising stock values would cause job creation as wealthy people could afford to expand their factories. That didn't happen. Instead, they had more money to spend on football teams, raising the cost of teams (while charging you more for the stadiums and the tickets to use your stadium), and more to spend on other stocks, and they moved their factories overseas to save themselves even more money. The more they were *given*, the more they craved ... to the detriment of a once-great nation.

Those tax savings for the rich did not build roads. They did not build new factories or expand old ones. (Other than the many factories built overseas.) They created scarcely any jobs. The new money doesn't trickle down. It exists all on paper and just creates huge inflation of stock values, none of which is getting plowed back into the corporations' capital equipment or research and development. It just gets reinvested in other stocks in the world's biggest casino where only the wealthy can afford to roll the dice.

Sure, we experienced some great expansions after those tax breaks were created for the rich, but that is only because government also hugely increased its spending and did so entirely on debt. It's amazing how much you can party when the party is bought credit. It was all just one bubble after another built, not on the tax savings for the wealthy, but on the greatest expansion of debt in the history of the world (even adjusted for inflation).

Now, if you think, I'm just writing out of envy and saying to tax the rich more because they are so awful, I haven't said we should tax the rich *more than the middle class*. I'm asking why are we taxing them *less*? What has giving the bulk of the tax breaks to the wealthy done for the rest of us? Most of us have enjoyed NO PORTION of any of that improvement of income over the course of thirty years of playing this game. It's time to end welfare to the rich!

Since these investors do no work to make that income, produce nothing, and do not create new jobs by building up factories, or invent anything -- and we know all of that now -- their capital gains should be taxed at the same level as their other income, rather than at a lower rate. They accomplish none of those trickle-down goals because most of them are not really investing at all. They are just playing money from one stock to another.

They do not buy and hold as owners of a company to help it grow and prosper. They buy to take and leave quickly. While they are temporary owners, they order the corporation to use its financial strength to take out massive loans to in order to shower themselves in attractive dividends. They order the company to buy up its own stock, thus reducing how many ways they have to split dividends. This also pumps up the price of their own shares by creating fake demand for the company stocks.

As if all that loot is not enough, sometimes they even vote to have the company take out debt to buy them out -- the golden escape hatch -- so they don't crash the value of their own stocks when they dump them all at once. They leave the companies with piles of debt, while they exit rich to buy other stocks elsewhere. Rinse and repeat.

All of this is mostly passive income for them, and yet they get a cut-rate tax deal decade after decade that encourages and empowers their buy-rape-and-sell speculation in the market. Their tax reductions cause everyone else to have to pay higher taxes (or cause the nation to go deeply in debt if we don't all pay higher taxes).

Many of the beneficiaries of these opulent tax breaks do nothing with their tax savings but endlessly play in a casino where as club members they bid up the value of the assets of other members based on what they think the majority of members will do. To make sure the games kept going, the Fed became intentional frontrunner of the casino action by letting the casino club members know they would continue to create plenty of new chips to add to each gambler's account. (Because that is all Federal Reserve money is anyway -- a chip that has value because everyone else is willing to accept that it has value -- a chip that can be traded for something else.) The Fed kept walking through the aisles and placing stacks of new chips in front of the members; but they didn't give any to you (unless I have some readers here who belong to the One-Percenter Club and read this blog for masochistic reasons).

The speculative activity of the super wealthy is ENTIRELY WORTHLESS to the economy at large. In fact, it is parasitic because, after getting such large tax breaks, they actually damage the economy by using all the money to build a huge bubble that will pop and hurt everyone, even as they beg us to bail them out so they don't fall on us!

On top of the huge cut they get on what they are taxed for those personal gains, the rich receive numerous tax credits and other kinds of deductions that are only available to those who live in the One-Percenter Club. You see, those who are in the top ten percent of the income stream pay an even lower percentage of their total income in taxes than the top twenty, and the top ten percent *of the top ten percent* (the infamous One Percenters), pay a lower percentage in taxes still.

In fact, the higher up the pyramid of greed people go, the less they pay of their fair share in taxes. The beauty of this conceit is that they appear to be extremely generous and to be paying more than their fair share because of that 39.6% income-tax rate and because of how they can shelter most of their income from even being reported.

They also get thousands of pets who wail on their behalf about how unfair it would be to tax their rich owners more. These are the underpaid who live in economic denial because they hope

to join the dream someday. They are allowed to believe they can -- that the largesse of the wealthy will fall beneath the table where they can feast on the scraps and become wealthy, too.

Don't be duped by the tax-trotting rich or their lap cats.

Let's see how much the rich pay in taxes laid out in real numbers!

The [Congressional Budget Office's] most recent data, for 2011, show that the average household in the middle 20 percent paid \$8,100 in federal taxes, less than 15 percent of its \$55,400 market income.... The average household in the top 1 percent paid \$422,700 in federal taxes, more than 29 percent of its \$1,447,500 market income.

That's the standard argument from the article quoted above. It says I'm wrong in all I just said. So, why don't I go back up and correct myself? I don't because I know in my gut the article is just plain wrong; so, instead, I dig deeper, and this is what I find:

First, the money stated as income for the top one percent is what they made as *adjusted* gross income, but the rich have many more "adjustments" than the rest of us. Therein lies the key to this deception.

The argument states the percentage they pay on what remains of their gross income *after all their special tax deductions and investment credits, income deferrals, incorporation benefits, payment in stock options, off-shore tax shelters and other shelters, and it ignores other taxes where they benefit from caps, such as social security and medicare.* (On Social Security, for example, a worker making \$40,000 a year will shell out 6.2% of his income in Social Security withholding, while an exec making \$400,000 a year will have to let go of only 1.8%. And, if you're at the four-million-a-year level, it becomes miniscule.)

Second, the government's summation that Edwards coughed up also ignored all trust funds. While trust funds are often to help the severely disabled, trust funds are also the favorite tax shelter for rich babies with golden spoons in their mouths. So, they are ignoring a large area of tax shelters.

Finally, consider that many of the most fabulously wealthy people in the US pay no income tax at all or very little in tax.

In the last year of the Bush tax cuts, there were well over a thousand people who reported more than \$60 million in earnings [each] but paid federal income tax rates far below 20 percent. (*Think Progress*)

Comparing the income disparity of the super-rich to the merely rich and then to the rest of us

Consider how wealthy the top one percent are. Then consider how wealthy the top tenth of a percent of *the one percent* are, for those are the people who pay the lowest tax rates of all:

According to David Cay Johnston, an investigative reporter who won a Pulitzer Prize while at *The New York Times*, the percentage of income paid out in taxes becomes more skewed in favor of a lower rate for the rich, the higher you climb *within* the rarified stratosphere of the top one percent. This is an etherial world largely unseen because, until recently, the IRS did not break the superrich out from the merely rich.

The top tenth of a percent of the top one percent pay only 17.6% tax on their income ... and that's on the dollars of income they actually report. Those below them in the top one percent paid 23 cents on the dollar (that is, on the dollars that they actually report as income). How much more would the US tax system appear to be skewed in favor of the *uber riche* if we knew how much they really make before adjustments or how much they hide in tax havens that goes completely untaxed?

The higher you are within the *crème de la crème*, the faster your income is rising, too. (Go figure. You're paying less in taxes on all you make; so, of course, your income is rising faster than anyone else as you compound this by putting your money out to make money.) Between 2003 and 2012, the bottom 99.9 percent *of the top one percent* (the poorest of the super rich) saw their income grow by \$412,000 a year. That's dreadful compared to the top tenth of a percent of the top one percent (1,361 American households). This cream off the top of the cream saw its income grow by \$84.6 million annually per household!

You should be able to see from this that money clearly bubbles up easier and faster than it trickles down. That's because the rich have numerous filters to catch money on the way down and bring it back to the top and numerous releases to keep them out of the catches of the IRS. Oh, and the bottom 80% of the general population? Their incomes all *fell* during those same years.

Johnson writes,

On average everybody else *in the top 1 percent* worked all year to earn what those 1,361 households earned every three days, and yet those at the top were far less burdened by taxes.... The new report is the latest proof that our income tax system is no longer progressive. Instead of tax burdens rising with income, and thus with the ability to pay, burdens fall off as incomes rise into the stratosphere. That doesn't make sense. (*AlJazeera America*)

I agree. That doesn't make any sense at all.

And, yet, we allow it to be.

Wealth disparity in America is even worse than *income* disparity. The accumulated wealth (the sum of all your assets minus all your debts) of the top tenth of one percent is equal to the combined wealth of 90% of America. According to the Organisation for Economic Co-operation and Development the US has the highest income inequality in the world. (See *AZ Central*)

If the rich reached and sustained those rarified heights due to great creativity and productivity, that would be one thing; but they get there and remain there because we continue to provide them with legal shelters in which they can hoard their wealth.

Fifty-eight percent of all *new* income goes to the top one percent, who certainly don't need new income and who are getting it just by playing with their after-tax money. To make sure they don't run out of new income, the Fed has provided them with an ocean full of the new money to play with.

The Fed creates this new money as deposits directly into reserve banks, by adding it to the accounts of national banks that are mostly owned by the fabulously rich. So, we make sure that all the new money goes to those who need it and deserve it the most so they can let a little trickle down to the rest of the populace. A, yet, Janet Yellen has the audacity to express concern about the wealth disparity in America!

Oh, the concern of the benevolent rich. If we had more of their concern, we'd all be broke. Come to think of it, that's not too unlikely in the not-too-distant future.