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Do We Need A Tax Bracket For The Super-Rich?

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Should someone who makes $400,000 a year pay the same effective tax rate as someone who makes $40 million a year? In a recent *CNBC* spot, two analysts took up the debate, which has taken on a new urgency as lawmakers and pundits ponder the Bush tax cuts and the mounting Federal deficit.

The increasingly prominent debate highlights a contentious fact about America's tax system: it doesn't distinguish between the rich and the super-rich.

Currently, the U.S. tax system sets the minimum annual income of the highest tax bracket at $375,000, with a tax rate of 35 percent. The second-highest bracket starts at $172,000 for individuals, who pay 33 percent. "This means that someone making $200,000 a year and someone making $200 million a year pay at similar tax rates. LeBron James and LeBron James's dentist: same difference," *New Yorker* columnist James Surowiecki recently observed.

In the CNBC spot, Michael Linden, an expert at the progressive think-tank the Center for American Progress, argued the U.S. should add income tax brackets for those making $1 million, $5 million and over $10 million a year. While Daniel Mitchell, a fellow at the conservative think tank the Cato Institute, said the super rich should pay the same tax rate as the moderately rich, the middle class, even the poor. *(Scroll down for the video)*

In a recent *New York Post* article, Mitchell argues that separate tax brackets for the super-rich will penalize investors and entrepreneurs and "slow the economy," creating "genuine hardship for the working class and poor." Arthur Laffer, a former Reagan administration economist, similarly claims in a *WSJ* op-ed that higher tax rates for the rich will create more poverty.

Mitchell and Laffer's trickle-down notion sides with the super-rich at a time when debate over the tax code's role in the economic recovery has become particularly heated. In a *New York Times* op-ed last week, Paul Krugman warned that full extension of all the Bush tax cuts would cost the government $680 billion in revenue over the next 10 years, based on measurements by the nonpartisan Tax Policy Center.

Krugman adds that the center estimates that "the majority of the [Bush] tax cuts would go to the richest one-tenth of 1 percent." This just so happens to be, as Surowiecki noted, the same echelon of super-rich who saw their share of national income triple between 2002 and 2007.

Watch the debate between Linden and Mitchell below: