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Nealz Nuze: Today's Nuze

BOORTZ

"When plunder becomes a way of life for a group of men living together in society, they create for themselves in the course of time a legal system that authorizes it and a moral code that justifies it."

Frederic Bastiat

TAXING THE RICH

By

Neal Boortz

@ March 11, 2011 9:02 AM [Permalink](#) | [Comments \(20\)](#) | [TrackBacks \(0\)](#)

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.

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Jamie Dupree's Blog

If you enjoy Neal's daily chat with Jamie Dupree, you'll love [Jamie's Blog](#)! Check it out for analysis of the campaigns and goings on in Washington D.C.

Cristina Gonzalez and Laura Nunemaker assist in the daily preparation of Nealz Nuze!

Avg. rating: N/A

What others are saying

lol chex mix.

shut up. you aren't rich. Monopoly cash doesn't count buddy.

Go back to fantasy land and leave the discussion to people who actually know what they are talking about.

3/14/2011

TAXING THE RICH - Nealz Nuze on boo...

By lol @ 03/11/11 06:37:32 PM [report abuse](#)

the anti-thesis

the rich get richer: the top 20% hold 85% of the nations wealth.

the poor get poorer: the bottom 40% hold .7% of the nations wealth.

who's robbing who? if this were a discussion about prostitution we'd quickly recognize the pimps exploitation of the prostitute. the synthesis will give rise to its anti-thesis, and when the two clash the the two will create a new synthesis. it's almost as if we want it to happen, given the rate at which we make it more necessary.

By barry @ 03/11/11 04:54:04 PM [report abuse](#)

@ Lent Visor

If you've got a 401K or traditional IRA, you'll get your wish. When you take the money out of either of those investments, you'll pay tax at the "ordinary income" rate - not at the lower capital gain and dividend rate, even though that's what produced the income on those funds you contributed. You's gonna get SKREWED. If you have a Roth IRA, you've already been SKREWED once. If your Roth IRA balance gets big enough, the wealth envy crowd will come and take it away from you and you'll be SKREWED again.

By Jubilation T Cornpone @ 03/11/11 03:11:29 PM [report abuse](#)

Twilight Zone.....oh yes...

I saw that one too. The 90% tax rate of the time had been in place for years. Without access to the myriad loopholes of the time, getting such a windfall WOULD bring the IRS with a bill for 90% of the total.

Winning one of todays lottery games with such a tax burden gives a whole new meaning to being financially raped.

If the government decided to confiscate, in toto, the entire liquid wealth of this country, it could not begin to pay off the total national debt.

Then what would be left to steal?

Also, who would bother creating new wealth, if was only going to be stolen again?

By SFCRet @ 03/11/11 02:59:07 PM [report abuse](#)

obvious

Uh, it's obvious to everyone that the disparity is due to the difference in tax rates on capital gains vs. earned income. And that is the problem. Someone doing nothing but dumping their fortune into different securities shouldn't pay a lower tax rate on that than someone actually working. Especially considering that the rich investor has money to burn and working people don't.

It's ridiculous that school teachers should suffer massive pay cuts but billionaires can't be taxed a couple extra pennies on the dollar, in a "budget crisis", no less.

Oh, and I'm sure we should take into account what the CATO and Heritage Institute hacks think.

America became the most powerful economy with much high taxes on the rich. Let's go back to that "heritage", cause it worked.

By Lent Visor @ 03/11/11 01:30:56 PM [report abuse](#)

tax rates

Neal I think your argument is structured improperly and will not be persuasive to the average person. Yes they are taxing different kinds of income but do you really believe the average auto mechanic is going to care when he sees someone getting their hands dirty taxed at a higher rate than someone living on Park avenue?

The proper point here is that even if your hypothetical park avenue resident gets all their income from long term capital gains taxed at 15% their tax rate is really much higher.

Corporate tax rates are 35% which means before they get a nickel of their money the government takes over a third. They would get 85% of whats left. That makes the effective tax rate more like 45%. That is much more persuasive than a technical point about the source of income.

If I am a burger king worker I am going to respond by saying
"Fine than tax investment income at the higher rate and tax labor income at the 15%"

By stjoe @ 03/11/11 11:37:51 AM [report abuse](#)

get out of my wallet

Damn you liberal filth. It's my money. I'm rich, deal with it. I earned it through hard work and sacrifice and it's mine. That you don't have money is your problem. I can't stand you verminous rat filth wealth envy cretins.

By Chex Mix @ 03/11/11 11:26:35 AM [report abuse](#)

bs'er

cutting spending while increasing taxes? sure...that idea is a jim dandy...unfortunately we couldn't trust congress to do the former...they would only find ways to spend the latter. dream on.

By Jeff @ 03/11/11 11:18:26 AM [report abuse](#)

I had a bunch of typo

3/14/2011

TAXING THE RICH - Nealz Nuze on boo...

Capital Gains and Dividend are double taxes. Corporate profits are fully taxed. This is where dividend and capital gains from stock come from. When the government calculate GDP total income of country there is no dividend or capital gins just corporate profits

By m @ 03/11/11 11:08:27 AM [report abuse](#)

Andrew is Right

Andrew M has a great point. Boortz and the Republicans love to say we should cut back spending to 2008 levels, but they never mention going back to taxation at year 1998 levels.

If they're serious about sliminating the deficit, they would encourage both and increase in tax rates and a decrease in spending. But they're not serious about it.

By BSDectector @ 03/11/11 11:01:47 AM [report abuse](#)

@ChrisH

Chris, you clearly don't understand the double taxation argument. Let's say you decide to open a lemonade stand for a day. You invest \$20 of your money that you've already paid income taxes on. The company uses your twenty dollars purchase materials, supplies, advertising, etc. At the end of the day, the stand has sold \$70 worth. The stand earned a before tax profit of \$50. The stand has to pay taxes on that \$50. Let's assume it pays the corporate rate of 35%, or \$17.50. That leaves \$32.50. You get your \$20 investment back, plus an additional \$12.50. That \$12.50 is already an after tax residual....why should you be taxed for it?

By Rob @ 03/11/11 10:31:11 AM [report abuse](#)

The real problem

Is always the spending. Its always easier to spend more than you make, especially with other people's money. They can raise taxes all they want but that won't stop the ever spending. Does anyone really think the democrats would spend less if taxes were raised? Raise taxes, less money in the private sector of the economy, economy slows even further. So how does that help? The dems and many repubs still don't get it. What will they do when China stops loaning us money? Will we turn into Greece?

By Sarge @ 03/11/11 10:16:29 AM [report abuse](#)

Wrong conclusion

Ain't it funny that they came to the conclusion that the "rich" guy's tax rate was too low. Why didn't they come to the conclusion that the janitor's tax rate was too high?

There is absolutely no reason that anybody's TOTAL tax rate should be higher than about 8%. Anything higher is nothing short of extortion and thievery.

By Kevin_In_MO @ 03/11/11 10:08:21 AM [report abuse](#)

Just tax capital gains as income

and don't try the double taxation. If you profit from your investments it is not different from earning it by another means. Income is income.

By ChrisH @ 03/11/11 10:04:17 AM [report abuse](#)

Do you remember the 90's?

Wasn't the 1990's a period of incredible economic growth? How could this have been? The wealthy were taxed at a supposed 39%. Did the wealthy wither and die? How has the top 1% income earners increased their personal wealth by 281%? How bad would it be to go back to the 39%? What are they going to do cut more workers? They can't cut much more.

I'm not advocating for 100% or 134% tax rate. Just a end to the tax sale that they got in 2001. Was the tax rate so bad in the 90's that unemployment was 9.5% or really more that it is now? Did any business expand? Don't even the small businessman include what his tax costs will be in the prices that they charge? Businesses don't pay taxes their consumers do!

The federal government has never or almost never balanced a budget. You act like this is the first year it's ever happened. Spending is going to come down as the stupid stimulus spending ends. Even Republicans know this and Rand Paul acknowledge this. I'm for cutting spending, but like Rand Paul, I say look at the wasteful government spending. Let's get rid of the \$250 hamper or toilet seat and start from there. Quit ordering planes and equipment that the military says they don't want in the first place. Stop paying cost overruns to defense contractors. If they run over on costs it's their fault and they should have to eat it not the taxpayers.

By Andrew M @ 03/11/11 09:59:33 AM [report abuse](#)

return spending to the 2008 level ?

How about we cut spending to revenue received or lower? If I have to live within my means, so should the Feds.

By Brian in Missouri @ 03/11/11 09:49:44 AM [report abuse](#)

Raising Taxes

the problem as I see it even if we could raise taxes to cover the deficit, the idiots in DC would then say hey we've got plenty of money lets buy more votes...and a vicious cycle would continue.

By Norm814 @ 03/11/11 09:33:26 AM [report abuse](#)

Twilight Zone

was watching an old TZ epesode the othe day where the MOM & POP were working in their store and found a genie in a bottle.they ended up wishing for a million dollars. it started raining money inside the store.they started giving it away to the locals.THEN a man from the IRS shows up to collect taxes. 900,000!!!!i guess they had given most away and didnt have the dough.us yunguns couldnt imagine taxes being that high but i guess they were for the rich back then.i was flabbergasted

By TRay @ 03/11/11 09:26:28 AM [report abuse](#)

3/14/2011

TAXING THE RICH - Nealz Nuze on boo...

Who is Rich? Is it spending or revenue that causes the debt bomb?

When libs propose raising taxes on the 'rich' to fix the deficit problem, the first thing I do is get them to tell me their definition of rich. Some go even lower than Obama's magic \$250,000 per year number. Personally I'd rather stick with '\$1 million per year and above', but that's just me.

But if even they grabbed 100% of the rich's income for one year, it still would not come close to balancing the budget. This is one area where I completely agree with Boortz: spending is and has been the problem! If a politician wants my support for taxing the rich, first I want him to make serious cuts to spending, THEN I might agree to his tax-the-rich campaign. Until then, they're just being fat pigs at the trough who cannot bring themselves to diet (using our food, um, money).

By Akat @ 03/11/11 09:17:42 AM [report abuse](#)

Capital Gains and Dividend are double taxes. Corporate are taxes. This is where dividend and capital gains from stock depend. When the government look at GDP look at total income there is no dividend or capital gins just corporate profists.

By m @ 03/11/11 09:17:33 AM [report abuse](#)

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