

## [Tax Lawyer's Blog](#)

tax, finance, politics, culture

- [home](#)
- [About](#)
- [Contact](#)
- [Disclaimer](#)
- [My Bias](#)
- [Archives](#)
- [Shakespeare](#)
- [Sitemap](#)
- [Tax Help Site](#)
- [RSS](#)



← [Former Tax Lawyer Michele Bachman's Tax Plan Double Take of the Day: Anarchists Protest Cuts in Government](#) →

### Would a 70% Top Tax Bracket Increase Government Revenue?

June 17th, 2011 · [No Comments](#)

*"The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries."*

- Winston Churchill -

In respose to former Labor Secretary [Robert Reich's recent proposal](#) that the tax rate on the rich be raised to 70% the Cato Institute's [Alan Reynolds](#) writing for the The Wall Street Journal shows that higher tax rates don't always mean more government revenue:

The intelligentsia of the Democratic Party is growing increasingly enthusiastic about raising the highest federal income tax rates to 70% or more. Former Labor Secretary Robert Reich took the lead in February, proposing on his blog "a 70 percent marginal tax rate on the rich." After all, he noted, "between the late 1940s and 1980 America's highest marginal rate averaged above 70 percent. Under Republican President Dwight Eisenhower it was 91 percent. Not until the 1980s did Ronald Reagan slash it to 28 percent."

That helped set the stage for Rep. Jan Schakowsky (D., Ill.) and nine other House members to introduce the Fairness in Taxation Act in March. That bill would add five tax brackets between 45% and 49% on incomes above \$1 million and tax capital gains and dividends at those same high rates. The academic left of the Democratic Party finds this much too timid, and would rather see income tax rates on the "rich" at Mr. Reich's suggested levels—or higher.

This new fascination with tax rates of 70% or more is ostensibly intended to raise gobs of new revenue, so federal spending could supposedly remain well above 24% of gross domestic product (GDP) rather than be scaled back toward the 19% average of 1997-2007.

## Higher Taxes, Lower Revenues

Individual income tax rates and revenues as a percentage of GDP

	Lowest/highest tax rates	Revenues as a % of GDP
1951-63	20/91%	7.7%
1964-81	14/70	8
1982-86	11/50	8.3
1988-90	15/28	8.1
1991-92	15/31	7.8
1993-96	15/39.6	8
1997-02*	15/39.6	9.4

\* Capital gains tax was reduced from 28% to 20% in 1997 and a new 10% bracket was added in 2001.

1987 is omitted because the 1986 Tax Reform was phased-in, and surtax years of 1969-70 are also excluded.

Sources: U.S. budget historical data

Still, pundits cling to the myth that lower tax rates mean lower revenues. “You do probably get a modest boost to GDP from tax cuts,” concedes the Atlantic’s Megan McCardle. “But you also get falling tax revenue. It can’t be said too often—and there you are, I’ve said it again.”

Yet the chart nearby clearly shows that reductions in U.S. marginal tax rates did not cause “falling tax revenue.” It is not necessary to argue that tax rate reduction paid for itself by increasing economic growth. Lowering top marginal tax rates in stages from 91% to 28% paid for itself regardless of what happened to GDP.

It is particularly remarkable that individual tax revenues did not fall as a percentage of GDP because changes in tax law, most notably those of 1986 and 2003, greatly expanded refundable tax credits, personal exemptions and standard deductions. As a result, the Joint Committee on Taxation recently reported that 51% of Americans no longer pay federal income tax.

Since the era of 70% tax rates, the U.S. income tax system has become far more “progressive.” Congressional Budget Office estimates show that from 1979 to 2007 average income tax rates fell by 110% to minus 0.4% from 4.1% for the second-poorest quintile of taxpayers. Average tax rates fell by 56% for the middle quintile and 39% for the fourth, but only 8% at the top. Despite these massive tax cuts for the bottom 80%, overall federal revenues were the same 18.5% share of GDP in 2007 as they were in 1979 and individual tax revenues were nearly the same—8.7% of GDP in 1979 versus 8.4% in 2007.

In short, reductions in top tax rates under Presidents Kennedy and Reagan, and reductions in capital gains tax rates under Presidents Clinton and George W. Bush, not only “paid for themselves” but also provided enough extra revenue to finance negative income taxes for the bottom 40% and record-low income taxes at middle incomes.

I know I’ve castigated others for questioning the motives of their opponents instead of addressing the substance of their arguments, but it is hard for me to imagine that people on the left who propose confiscatory taxes on rich people do so *only* because they want to reduce deficits and stimulate jobs. If history has taught us anything, it has taught us that at least a partial motive for the left’s fanatical desire to increase the top tax rates is to reduce the gap between the wealthy and the middle-class.

Why don’t they just come out and say what they believe: The rich have too much damn money and, by golly, that’s not fair.

Bookmark & Share:



Tags: [Philosophy](#) · [Politics of Taxes](#) · [Tax Policy](#)

0 responses so far ↓

- There are no comments yet...Kick things off by filling out the form below.

Leave a Comment

Name

Mail

Website



Submit

- To search, type and hit e



[Subscribe in a reader](#)

## • Recent Posts

- [Tax and Torture](#)
- [Deepak Chopra Judges, Hates and Closes his Heart to Sarah Palin & Christians](#)
- [California Leaving](#)
- [Finders, Keepers? Not When it Comes to IRS Refunds](#)
- [State Taxation of Internet Sales. Is it Coming?](#)
- [Tax Lady v Lady Justice](#)
- [Black Homophobes, Name-Calling and Pro-Traditional Marriage Haters](#)
- [IRS Doesn't Get Funding it Asked For](#)
- [Tax Court Orders Now Available Online](#)
- [Union Leader Says Anyone Who Wants to Cut Union Benefits is a Nazi](#)

## • E-Books

[Why You Should Have a Will](#)

## • recent comments

- [Peter](#) on [Deepak Chopra Judges, Hates and Closes his Heart to Sarah Palin & Christians](#)
- [Hayek](#) on [Deepak Chopra Judges, Hates and Closes his Heart to Sarah Palin & Christians](#)
- [מיטוי](#) on [Deepak Chopra Judges, Hates and Closes his Heart to Sarah Palin & Christians](#)
- [drsam](#) on [California Leaving](#)
- [Peter](#) on [Double Take of the Day: Anarchists Protest Cuts in Government](#)
- [Peter](#) on [Union Leader Says Anyone Who Wants to Cut Union Benefits is a Nazi](#)
- [Peter](#) on [Americans Overtaxed?](#)
- [timtravellerparty.org](#) on [Americans Overtaxed?](#)

## • Topics

- [Absurd Tax Protester Arguments](#) (24)
- [Alternative Minimum Tax](#) (6)
- [American History](#) (2)
- [Announcements](#) (100)
- [Back Taxes](#) (16)
- [Book Reviews](#) (1)
- [Business advice](#) (4)
- [Business Transactions](#) (7)
- [C Corporations](#) (13)
- [Campaign 2008](#) (16)
- [Corporate Tax](#) (19)
- [Court Cases](#) (70)
- [Credits](#) (12)
- [Deductible Expenses](#) (43)
- [Dr. Tax-O-Sphere](#) (6)
- [Employer Issues](#) (15)
- [Estate Tax](#) (8)
- [Ethics](#) (3)
- [Facebook Tax Tip](#) (2)
- [Florida Sales & Use Tax](#) (8)
- [Frequently Asked Questions](#) (2)
- [Gross Income](#) (15)
- [healthcare reform](#) (48)
- [Individual Taxation](#) (65)

- [Innocent Spouse Relief](#) (8)
- [International Taxation](#) (38)
- [IRS appeals](#) (5)
- [IRS Audits](#) (68)
- [IRS Installment Agreements](#) (8)
- [IRS Liens and Levies](#) (29)
- [IRS Penalties](#) (33)
- [IRS procedure](#) (79)
- [Legislative Watch](#) (195)
- [Life](#) (1)
- [Literature and the Law](#) (9)
- [LLC's](#) (1)
- [Movie Reviews](#) (5)
- [Movies and the Law](#) (2)
- [Music](#) (2)
- [News](#) (339)
- [Offers in Compromise](#) (17)
- [Opinion](#) (115)
- [Payroll Taxes](#) (18)
- [Philosophy](#) (45)
- [Poems](#) (7)
- [Politics](#) (149)
- [Politics of Taxes](#) (122)
- [Polls](#) (10)
- [Regulation of Tax Preparers](#) (78)
- [S Corporations](#) (12)
- [Satire](#) (24)
- [Self-Employed Taxpayers](#) (13)
- [shakespeare](#) (1)
- [State Taxes](#) (87)
- [Statutes of Limitation](#) (4)
- [Supreme Court](#) (11)
- [Tax Blogging](#) (22)
- [Tax Collections](#) (67)
- [tax court](#) (5)
- [Tax Crimes](#) (196)
- [tax exempt organizations](#) (1)
- [Tax Humor](#) (49)
- [Tax Litigation](#) (8)
- [Tax Policy](#) (362)
- [Tax Tips](#) (52)
- [Taxes 101](#) (18)
- [Taxpayer Advocate](#) (5)
- [Taxpayer Rights](#) (27)
- [The Economy](#) (118)
- [Top Ten Lists](#) (10)
- [Trust Fund Recovery Penalty](#) (1)
- [Unfiled Returns](#) (14)
- [voluntary disclosure](#) (2)

## • Affiliations

- [Admitted to Practice: United States District Court](#)
- [Admitted to Practice: United States Supreme Court](#)
- [Admitted to Practice: United States Tax Court](#)
- [American Association of Attorney-CPAs](#)
- [American Institute of Certified Public Accountants](#)
- [Florida Institute of Certified Public Accountants](#)
- [The Florida Bar](#)

## • Blogging Tools

- [Blog Catalog](#)
- [Real Lawyers Have Blogs](#)

## • Blogs I Read Every Day

- [ataxingmatter \(Linda Beale\)](#)

- [Bed Buffaloes In Your Tax Code](#)
- [Don't Mess With Taxes](#)
- [Jack Bog's Blog](#)
- [Legal In-sur-rec-tion](#)
- [Mauled Again](#)
- [Roth & Company, P.C.](#)
- [Stacie Kitts, CPA](#)
- [Tax Didactic \(Knox Marlow\)](#)
- [Tax Girl](#)
- [Tax Policy Blog](#)
- [Tax Vox](#)
- [Taxable Talk](#)
- [TaxProf Blog](#)
- [The Tax CPA](#)
- [the taxguy](#)
- [The Wandering Tax Pro](#)
- [Tick Marks](#)

## • Florida Sites

- [City of Orlando](#)
- [City of Tampa](#)
- [Elizabeth Maupin](#)
- [Governor's Office](#)
- [My Florida](#)

## • Government Sites

- [House Ways & Means Committee](#)
- [Joint Committee on Taxation](#)

## • Magazines

- [Forbes](#)
- [The Economist](#)

## • Newspapers

- [The Chicago Tribune](#)
- [The Los Angeles Times](#)
- [The Miami Herald](#)
- [The New York Times](#)
- [The Orlando Sentinel](#)
- [The Wall Street Journal](#)
- [The Washington Post](#)

## • Personal Finance Blogs

- [All Financial Matters](#)
- [Fabulous Financials](#)
- [My Money Blog](#)

## • Tax and Law Sites

- [Andrew Mitchel Tax Charts](#)
- [BizStats](#)
- [BNA Insights & Commentary](#)
- [Circular 230](#)
- [DOJ Criminal Tax Manual](#)
- [Fix Rss Feed](#)
- [Internal Revenue Code](#)
- [Internal Revenue Manual](#)
- [IRS Circular 230](#)
- [IRS Website](#)
- [ProCon.Org](#)
- [San Diego Trust Lawyer](#)

- [Sun Biz \(Florida\)](#)
- [Tax Almanac](#)
- [Tax Analysts](#)
- [The Supreme Court Historical Society](#)
- [U.S. Constitution](#)
- [U.S. House of Representatives](#)
- [U.S. Senate](#)
- [United States Supreme Court](#)
- [United States Tax Court](#)

## • Archives

- [June 2011](#)
- [May 2011](#)
- [April 2011](#)
- [March 2011](#)
- [February 2011](#)
- [January 2011](#)
- [December 2010](#)
- [November 2010](#)
- [October 2010](#)
- [September 2010](#)
- [August 2010](#)
- [July 2010](#)
- [June 2010](#)
- [May 2010](#)
- [April 2010](#)
- [March 2010](#)
- [February 2010](#)
- [January 2010](#)
- [December 2009](#)
- [November 2009](#)
- [October 2009](#)
- [September 2009](#)
- [August 2009](#)
- [July 2009](#)
- [June 2009](#)
- [May 2009](#)
- [April 2009](#)
- [March 2009](#)
- [February 2009](#)
- [January 2009](#)
- [December 2008](#)
- [November 2008](#)
- [October 2008](#)
- [September 2008](#)
- [August 2008](#)
- [July 2008](#)
- [May 2008](#)
- [July 2007](#)



## • Tags

[Back Taxes](#) [big government](#) [Bush tax cuts](#) [class warfare](#) [government waste](#) [healthcare reform](#) [IRS audit](#) [IRS Audits](#) [IRS collections](#) [IRS crimes](#) [irs fraud](#) [IRS Penalties](#) [IRS procedure](#) [james maule](#) [joe kristan](#) [Legislative Watch](#) [linda beale](#) [obama tax plan](#) [obama tax policy](#) [paul caron](#) [Politics](#) [Regulation of Tax Preparers](#) [sin tax](#) [small government](#) [soak the rich](#) [socialism](#) [state tax](#) [tax audits](#) [tax court](#) [tax crime](#) [Tax Crimes](#) [tax evasion](#) [tax fraud](#) [tax gap](#) [Tax Humor](#) [tax increase](#) [tax increases](#) [Tax Policy](#) [tax preparation](#) [tax preparer regulation](#) [tax the rich](#) [The Economy](#) [TIGTA](#) [voluntary disclosure](#) [wealth flight](#)