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Notable & Quotable

Economist Richard Rahn on the Buffett Rule and tax-deductible charitable contributions.

Economist Richard Rahn writing April 16 in the Washington Times:

Do you think it is more important to have a tax policy that raises the most revenue at the least cost in order to maximize job growth and economic opportunity or to have a tax policy like the Buffett rule, which falsely claims it would make all millionaires pay a higher tax rate than their secretaries?

President Obama released his tax return last week, showing he had an effective rate of a little more than 20 percent of his income, even though he is rich by his own definition. One of the major ways the Obamas were able to reduce their tax rate was by giving away 22 percent of their income to charity, which I applaud. But their actions raise several interesting points. The president's actions illustrate how people have the ability largely to determine their own tax rate both by the amount of money they choose to give away and the types of investments they choose to make.

When we donate money to a charity, church or some other worthy cause, we are allowed a tax deduction, which means the government gets less of our money. The president and many in his party keep telling us that the government needs more money, but if they believe this, why are they taking charitable deductions? I expect the reason is that most of us implicitly believe (for good empirical reasons) that private charities and other tax-exempt groups spend our money more wisely and carefully than the government.