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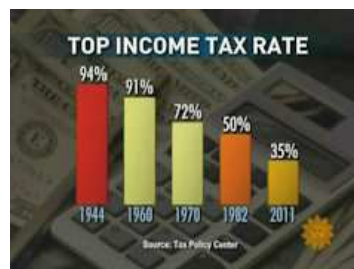
CBS Rues Unfairness of Rich Not Paying Enough Without Noting More Than a Third of Americans Pay Nothing

By: Brent Baker

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CBS News on Sunday morning managed to examine incongruities in the U.S. tax system, highlighting those – including a former *New York Times* reporter – who think the wealthy aren't paying enough, but without bothering to point out the disproportionate share of the income tax paid by those at the top nor how more than a third of those who file an income tax return pay nothing or even get more back than they put in.

Reporter Seth Doane lamented the declining top tax rate: "It declined slowly through the '60s and '70s until 1982 under Ronald Reagan when it fell to 50 percent, eventually working its way down to the current rate of 35 percent."



In his *CBS News Sunday Morning* piece, Doane turned to ex-*New York Times* reporter David Johnston for the usual liberal clap-trap: "**All the data are overwhelmingly showing that for the last 30 years money has been flowing upward. It's not trickle down economics. It's Niagara up.**" Including the FICA tax, Johnston complained: "If you're a single person making \$500 a week, your total federal tax burden is significantly higher than someone who makes a million dollars a day."

After allowing a Cato expert to note the economic damage caused by too-high tax burdens on the most productive, **Doane countered him by touting "Patriotic Millionaires for Fiscal Strength,"** a bunch of left-wing millionaires who want tax rates to be hiked for the rich: Their slogan: "We should pay more. We want to pay more." Doane asserted: "Leo Hindery, Morris Pearl, and Dennis Mehiel don't agree that raising taxes on the rich will hurt the economy or the rich. And they should know. They're all multi-millionaires."



Without ever addressing how a significant portion of Americans escape having to pay for government services, Doane concluded with an adage from "preeminent tax historian" Joe Thorndike who advised: "I think that filing taxes, even if it's a little bit painful, not such a bad thing because it forces people into that moment of awareness. What kind of government do I want?"

Contrary to Johnston's narrow claim about a few multi-millionaires, the [Tax Foundation last year noted](#) "the average tax rate in 2008 ranged from around 2.6 percent of income for the bottom half of tax returns to 23.27 percent for the top 1 percent" who "paid 38.0 percent of all federal individual income taxes and earned 20.0 percent of adjusted gross income."

[Another 2010 Tax Foundation report](#) determined:

A record number of the 142 million tax returns filed in 2008 resulted in no tax payment, according to a Tax Foundation analysis of IRS data. That means the tax filers got back every dollar that had been withheld from their paychecks, and often more. **Roughly 51.6 million tax returns, or 36.3 percent, were filed by such "nonpayers,"** people whose exemptions, deductions and credits wiped out any federal income tax due.

Though Doane missed the trend, avoidance of the federal income tax is soaring: "The number of nonpayers has increased by 59 percent in less than a decade, growing from 32.6 million in 2000 to 51.6 million in 2008. In the same time period, the total number of tax filers grew by only 10 percent."

[UPDATE: Even more are able to avoid paying for the federal government. The [Tax Policy Center estimated last year](#): "In 2010, 45 percent of tax returns will either remit no federal income tax or receive a net tax refund."]

From the Sunday Morning story aired April 17, picking up after Doane empathized with an IRS taxpayer advocate over the complexity of the tax code, transcript provided by the MRC's Brad Wilmoth:

SETH DOANE: And while frustration with our overly complex tax code might seem like a uniquely modern problem, in fact-

JOE THORNDIKE: It's one of those evergreen complaints just like, "I pay too much in taxes," "I think my taxes are too complicated." You could ask people that 200 years ago, 100 years ago or last week and you get the same answer.

DOANE: Joe Thorndike is a preeminent tax historian with a Virginia-based research firm, Tax Analysts.

THORNDIKE: Taxes were definitely a big part of the Revolution, a big part of the origin of the American nation.

DOANE: Take the Constitution, for example. Remember all that stuff about "we the people" and "ensuring domestic tranquility"?

THORNDIKE: I think that the Constitution is in many ways a tax document. It's designed to give the federal government a strong power to tax. And it does, in fact, do just that.

DOANE: For nearly 100 years, Congress didn't use that power very much - until a national crisis forced its hand.

THORNDIKE: The Civil War prompts a major change in the tax system. They introduce an income tax. They develop lots of new taxes on consumer goods.

DOANE: So we can blame the Civil War for introducing the income tax, but it was World War II that made it what it is today.

THORNDIKE: During World War II, they changed the income tax from something targeted just at rich people and they made it a middle class problem. They say it changed from a class tax to a mass tax.

DOANE: In 1944, the top tax rate was a staggering 94 percent. It declined slowly through the '60s and '70s until 1982 under Ronald Reagan when it fell to 50 percent, eventually working its way down to the current rate of 35 percent.

JOHNSTON: And all the data are overwhelmingly showing that for the last 30 years money has been flowing upward. It's not trickle down economics. It's Niagara up.

DOANE: David Cay Johnston is a Pulitzer Prize-winning reporter who teaches tax regulation at Syracuse University Law School.

JOHNSTON: If you're a single person making \$500 a week, your total federal tax burden is significantly higher than someone who makes a million dollars a day.

DOANE: No.

JOHNSTON: Yes. You'll pay almost 22 percent of your income in income and payroll taxes or you did in the year 2007. In that year the 400 highest income taxpayers - who make \$345 million on average - only paid by the same measure about 17 cents out of each dollar.

DOANE: The reason, Johnston says? Individual and corporate tax breaks, all stemming from the same source.

JOHNSTON: Political favors. Let me take one company that's been in the news, General Electric. Last year they spent \$39 million lobbying Washington. That's \$73,000 per member of Congress in the Senate.

EDWARDS: Well, you know, the main loopholes on the individual code are actually middle class benefits.

DOANE: Chris Edwards studies tax policy at the CATO Institute, a libertarian think tank in Washington. He says, while it's easy to blame the rich, the reality is the bulk of tax breaks are for the middle class.

EDWARDS: It's the mortgage interest deduction, the exclusion for health care insurance. It is true that



wealthy people hire lawyers and accountants to benefit excessively from these tax code loopholes, but really most of the benefits go to the middle class.

DOANE: And increasing taxes on the wealthy, Edwards says, will only further cripple an already wounded economy.

EDWARDS: What happens when you raise rates for higher income people, they reduce their productive activities like working and investing and starting businesses, and they increase their unproductive activities like tax avoidance and tax evasion, so governments really shoot themselves in the foot if they raise rates too much.

LEO HINDERY, PATRIOTIC MILLIONAIRES FOR FISCAL STRENGTH: Every time I get a tax cut, I get richer. I don't put money back into the economy. I just get richer.

DOANE: Leo Hindery, Morris Pearl, and Dennis Mehiel don't agree that raising taxes on the rich will hurt the economy or the rich. And they should know. They're all multi-millionaires. We're talking about millions, each of you. Are we talking about much more than that?



HINDERY: Yes, yeah, I mean, I've been very blessed in my career, but it's been serendipity, and it was not any part of it, Seth, supposed to come from unfair tax rates.

DOANE: Media investor Leo Hindery and the others belong to Patriotic Millionaires for Fiscal Strength, a Democratic-leaning group of 200 plus millionaires who've signed petitions asking President Obama to raise their taxes. Dennis Mehiel is chairman of a major manufacturing company.

DOANE: Why, in your view, is paying taxes patriotic?

DENNIS MEHIEL, PATRIOTIC MILLIONAIRES FOR FISCAL STRENGTH: There are things that we want to do as a society. They're not free.

DOANE: Morris Pearl is managing director of a leading New York investment firm. Are the wealthy gaming the system?

MORRIS PEARL, PATRIOTIC MILLIONAIRES FOR FISCAL STRENGTH: Yes.

HINDERY: Every day.

PEARL: Yes, the wealthy have hugely more access to the legislators than the average American. I pick up my phone every day and get calls from members of Congress who want to talk to me, mainly because they want donations to their campaigns.

DOANE: People would love to reach their Congress person. You have them calling you?

PEARL: Unfortunately, yes.

DOANE: There's no doubt the question of how much in taxes millionaires should pay is important, but the IRS's Nina Olson says there's an even bigger source of untapped revenue that almost no one is talking about.

NINA OLSON, IRS: Any income that is paid by check, cash, whatever that is not reported to the Internal Revenue Service, the person who mows your lawn, things like that, is the largest area of the tax gap.

DOANE: People like folks cleaning a house or running a farm stand and not reporting?

OLSEO: Restaurants, whatever. That's a bigger cash loss.

DOANE: And whether it's people skimming from the bottom or getting breaks at the top, the guy in the middle is footing the bill.

OLSON: If everybody reported their taxes properly, people would pay per person \$2,200 less.

DOANE: It's enough to give every American a headache. But if you're feeling angry or bewildered this tax season, historian Joe Thorndike suggests you look at the big picture. From the Constitution forward, taxes have always been a critical part of the ebb and flow of our democracy.

THORNDIKE: I think that filing taxes, even if it's a little bit painful, not such a bad thing because it forces people into that moment of awareness. What kind of government do I want? Oliver Wendell Holmes said that taxes are the price we pay for civilization. But we have to decide over and over again how much civilization we want.

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