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Cheapskate Wisdom About ... the Limited Utility of Raising Taxes on the Rich

Posted by BRAD TUTTLE Tuesday, March 30, 2010 at 3:16 pm

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"The evidence is clear that when marginal tax rates go up, the amount of reported incomes goes down."

From a [WSJ op-ed](#) describing how the plan to pay for health care reform via taxes on the rich won't raise nearly as much money as the government thinks. Why? The rich have a long history of avoid tax increases in all sorts of ways. As the Cato Institute's Alan Reynolds writes:

Successful people are not docile sheep just waiting to be shorn.

For example, here's a likely scenario:

Investors who jumped into dividend-paying stocks after 2003 when the tax rate fell to 15% would dump many of those shares in favor of tax-free municipal bonds if the dividend tax went up to 23.8% as planned.

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