Tax Us More, Says Group of Wealthy Activists

by Chuck O'Toole

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The three are members of Wealth for the Common Good, an advocacy group that has begun circulating a petition calling on Congress to immediately repeal the 2001 and 2003 tax cuts for high-income earners. The group aims to have at least 1,000 signers with incomes above $250,000; after two weeks at it, they have more than 200.

Chuck Collins, a cofounder of the organization, said he wants to bring more attention to a "silent majority" of upper-income taxpayers who are willing to pay more to fund long-term public investment.

"A lot of the people we talk to, well-off people, ask why they should continue to receive these tax cuts -- $700 billion since 2001," Collins told Tax Analysts. "The idea that we would give tax cuts during a time of war really struck a lot of us as unseemly and un-American."

To support his view, Collins points to exit polls from the 2008 presidential election showing that then-Sen. Barack Obama beat Sen. John McCain, R-Ariz., 52 percent to 46 percent among those earning more than $200,000, despite Obama's frequent promises to raise taxes on that income group.

President Obama has pledged to let the 2001 and 2003 tax cuts expire after 2010 as scheduled for joint filers earning more than $250,000 (or individuals earning at least $200,000). As a result, in 2011 the top marginal income tax rate would rise to 39.6 percent from 35 percent, while the second bracket rate would rise to 36 percent from 33 percent. Taxes on long-term capital gains and dividend income would rise to 20 percent from 15 percent. The 10, 15, 25, and 28 percent income tax brackets would become permanent.

Administration officials have repeatedly said they will not raise any taxes until 2011 at the earliest, to avoid hindering the economic recovery.

But Collins, along with Microsoft Corp. top researcher Arul Menezes and Eric Schoenberg, who is a professor at Columbia and a former managing director at the investment banking firm Broadview International LLC, argues that policymakers shouldn't wait until 2011 to raise taxes on top earners.

"Raising taxes on the top is different," Collins said. "The impact on consumption is not the same as when you raise them on the lower or middle parts of the spectrum."

Collins made news in 1985 when, at age 26, he inherited a $500,000 share of the Oscar Mayer meat production fortune and promptly gave it all to charity.

He made that decision, he said, because he believed inherited wealth undermined the meritocratic ideal. "At that age I had the benefit of a tremendous head start, including a debt-free education. I thought, 'Now it's time to pass on the gift.'" (Collins says that despite that decision, he and his wife today are in a high enough tax bracket that they would pay higher taxes under his group's proposal.)

That choice is one that Schoenberg doesn't think he could make. "I'm very content being a wealthy person living in this country," he said. Nevertheless, he said he believes that paying higher taxes is in his self-interest and his children's.

"What will make my kids happier is not inheriting a large amount of money, it's living in a society that works," he said.

Chris Edwards, an economist at the Cato Institute, took issue with that premise. "Trying to fund social goals through Washington is very wasteful," he said, adding that high-income earners would do more good by giving their money to charity.

"These folks are trying to foist their liberal economic views on other people, just as liberals say that conservatives try to foist their cultural views on other people," he said. Edwards also cited research by Douglas Holtz-Eakin, a former director of the Congressional Budget Office and adviser to McCain's campaign, to argue that raising marginal income tax rates would reduce hiring by small businesses taxed as sole proprietors. What is really needed to restore fiscal balance, Edwards added, are cuts in spending.

Even some would-be allies wondered about the wisdom and feasibility of immediately repealing upper-income tax benefits.

Roberton Williams, an analyst at the Urban-Brookings Tax Policy Center, said he supports letting the 2001 and 2003 tax cuts expire, but expressed concern that raising taxes right away on the well-to-do "almost certainly would reduce consumption."

"A lot of [upper-income taxpayers] have been hit pretty hard in this recession," Williams said, which in turn could make them more likely to cut back spending if faced with tax increases. "Allowing the tax cuts to expire as scheduled at the end of next year could make a lot of sense."

Chuck Marr, director of tax policy at the Center on Budget and Policy Priorities, praised the petition's concept. He suggested that raising taxes now could benefit the economy by showing financial markets that the country seriously intends to deal with its debt. But "politically, realistically, it's not going to happen."

Despite the naysayers, the Wealth for the Common Good members say they hope to influence policy through the petition. Menezes dismisses the prospect of cutting enough spending as "fairy tales," and says the tax increases are needed to balance what he argues is a regressive federal tax system, when all employee and employer payroll taxes are taken into account.

"Right now we're living on our inheritance from past generations," the Microsoft researcher said. "Simple fairness demands that people in the higher tax brackets shoulder the burden of new investment."