

Taxing the "Rich": The President's latest proposal to make "the rich pay their fair share" is just another awful idea in a series of awful ideas from this Administration. First of all, it again defines a taxpayer making \$200,000 as "rich". I know a number of such people and I suspect you do too. They live comfortable lives, but I don't think they deserve the suddenly pejorative term "rich", particularly if they come to that income by way of 2 working spouses and some investment income because they have saved money over time.

But, the new wrinkle here is the so-called "Millionaires" tax on incomes over \$1 million. Obama's rhetoric explains that he will only require that these incomes pay the same tax rate as "middle class families". Well, obviously, the tax rate on these incomes is already much higher than for lower tax brackets. Most deductions for higher income people have already been largely eliminated through the alternative minimum tax and other tax laws over the last 20 years. There are really only 2 ways to get the tax rate on your \$1 million income down. The first is if a bunch of that income is derived from capital gains taxes which are taxed at 15% currently. The second is if you give away a bunch of your money in charitable contributions, which is the only deduction that is not currently limited for high incomes. What the President is proposing to do is establish a new minimum tax rate on *the gross incomes* (not net incomes) of individuals regardless of their charitable contributions or the character of their income.

This will have two very negative effects.

First, it raises capital gains taxes significantly on assets with large gains. This will result in many taxpayers choosing not to sell assets because their income will actually drop when they reinvest the after-tax proceeds of the sale. No sale not only means no revenue for the government, but it also means an asset cannot be moved from an owner who no longer wants it to a new owner who may maximize its value - and that means less growth and fewer jobs.

Second, it actually penalizes high income people who give away a lot of their money and does nothing to high income people who don't. This is unbelievable! If you make a big salary and keep it all, you won't see any tax changes. But, if you make a lot of money and give a bunch of it away, you get a penalty tax for so doing. You will actually be taxed on money you made but didn't keep and don't have any more because you gave it away. This will have a chilling effect on charitable giving by those who give the most.

As an example of the inequity in the Obama/Buffett proposal, an actor who earns a \$20 million salary for starring in a movie and gives little to charity would see no tax increase under this plan. Same thing for a basketball star under the same circumstances. But, a business owner who works for 20 years to build up a business and then sells it for a one-time profit of \$5 million and gives \$1 million of it to charity would see a gigantic tax increase. Is this incredible unfairness unintentional on the President's part, or is he making sure some of his high-income friends are shielded from his own tax increase? As I often do, I'll let you draw your own conclusions.

This is another in a long line of proposals by this President that would have the effect of reducing contributions by individuals and businesses to private charities. Does the President not understand what he is doing or the effects thereof? Or, does he want to reduce the work of charities so that more people and causes in need have only the government to turn to? Or, is it both? I suspect both.

One other point needs to be made here. The President says that all his tax increases on the "rich" and on businesses, who he is counting on to employ people, will raise \$1.2 trillion over 10 years. To put that in perspective, the federal deficit this year...that's just one year... is more than \$1.2 trillion. So, in spite of all the soaring campaign rhetoric, Obama's tax increases plug less than 10% of the deficit.

So, what's he going to do to get the other 90%? He is very, very quiet on this point. That's because he doesn't want you to know that the only option for him is to TAX YOU! No matter who you are and what your income is. You see, if you don't reform the entitlements to reduce their cost and cut other spending, you have to tax everybody to balance the budget. The "rich" just don't have enough money, even if you confiscated it all. That's why, in spite of the current rhetoric, they will eventually propose new taxes on everyone - no matter your income level.