



Written by [Wallis W. Wood](#) on October 28, 2011

Who's REALLY Taxed More Heavily — Buffett or His Secretary?

Let me state for the record that both men are playing fast and loose with the truth, and they both know it.

It is true that Buffett pays a relatively low rate in taxes on most of his income. That's because it's not his salary that matters, but what he receives in dividends from his investments. Such dividends are currently taxed at 15 percent a year. If he pays his secretary a decent wage, which I'm sure he does, her tax rate is surely much higher.



But what Warren doesn't include in his calculations are *the taxes that have already been paid* on those dividends before he receives them. You see, corporations must pay Uncle Sam 35 percent of all the profits they make before they can send any of those profits to the owners of the company — that is, the shareholders.

This tax rate, by the way, is one of the highest in the Western world. It explains why our most profitable companies that do business around the world — such multinational giants as Coca-Cola Co. and McDonald's Corp., where Uncle Warren just happens to be a major shareholder — keep most of their profits offshore. Why should they bring those dollars back to the United States, where they would immediately get cut by 35 percent?

This explains why U.S. companies have decided to leave most of their offshore profits overseas. A recent estimate indicated more than \$1.5 trillion in unrepatriated profits are held in foreign bank accounts, rather than being put to work building new factories and new products back home.

How many new jobs could that money create if it were put to work back here? Well, if a \$400-billion jobs program could create 2.5 million new jobs (something I seriously doubt), then all those repatriated profits would go a long way to ending unemployment in the United States.

That won't happen under the present Democrat rule.

But let's get back to the taxes Buffett pays. If you add his 15 percent capital gains tax onto the 35 percent tax on corporate profits, it shows the federal government gets almost 45 percent of every dollar in taxed profits that Warren's companies earn.

The bite from government doesn't stop there. Nebraska also charges a 6.84-percent state income tax. There is also a 5.5-percent state sales tax assessed on most of the purchases residents there make. Oh, and let's not forget an additional 1.5-percent sales tax Omaha, Neb., collects.

Of course, more than half of that amount is removed before Warren sees it, so it's easy to see why he



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could overlook it in his calculations. But believe me, he knows it is happening. There are very few business owners in America who are as good at analyzing a balance sheet as the Sage of Omaha.

Think of it: Almost two-thirds of every dollar his companies earn and would like to pay him goes to government. And he doesn't think it's enough? C'mon, Warren, play straight with us here.

By the way, let me make one more point about America's second-richest man before continuing.

Buffett has reduced his already low tax bill quite a bit more by making charitable contributions. I don't know the full total, but he's given away at least \$50 billion to the Bill and Linda Gates Foundation. Just think, if he hadn't taken the deduction, that's several billion dollars he would have paid in federal taxes.

But why stop there? If he really believes the federal government deserves the money, why didn't he send it all to Uncle Sam? Why, the extra \$50 billion would have been enough to cover the deficit for almost 1.25 days.

Hmmm, when you put it that way, it doesn't sound like very much, does it?

It's too bad that Warren didn't listen to his father more. Howard Buffett was a very conservative Republican Congressman who criticized growing government power back in the 1940s and '50s. Think what he'd say today!

Warren's dad didn't like the graduated income tax and blamed the 16th Amendment for many of our financial ills. His son thinks millionaires don't pay enough in taxes and seems pleased that Barack Obama likes to call his tax-the-rich efforts "the Buffett tax." My, how things have changed out there in Omaha!

One last point before I leave this topic for today. I've been amused to see how many critics have jumped on Herman Cain's 9-9-9 proposal to change the tax system in this country because it's regressive.

By "regressive," those opponents mean it slaps an unfair burden on the poor. This is a great example of how the left likes to turn the meaning of words upside down. In the old days, everyone admitted that the federal income tax was progressive, meaning that the more you earned, the greater percentage you had to pay in taxes. To the advocates of Big Nanny government, this was eminently "fair."

Of course, those of us who pointed out that a progressive income tax was a key plank in Karl Marx's *Communist Manifesto* were mocked, scorned, and shouted down — when we weren't totally ignored. But now the argument has become so turned around, the advocates of big government claim that if we tax everyone equally, we've suddenly become regressive.

Let me point out that none of these people opposes the most regressive tax in America: the numerous lotteries various states run. Studies have proved over and over again that the poorest third of our population spends the biggest proportion of available cash on lottery tickets.

It's no surprise that many of them are addicted to the something-for-almost-nothing promise of this form of state-sponsored gambling. But at least they're not allowed to buy lottery tickets with those fancy government-issued credit cards that have replaced food stamps. At least, I don't think they are.

Probably every adult in America will agree that the present tax system isn't fair. Getting them to agree on what should replace it is another matter entirely. It doesn't help when the President of the country and our second-richest citizen conspire to fudge the facts.

Until next time, keep some powder dry.



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