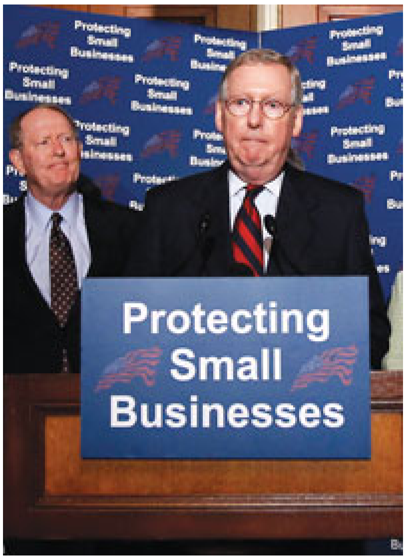
Killer Taxes on the Living and the Dead



Item: Treasury Secretary Timothy Geithner, as reported by AP/CBS on August 3, said that "it would be 'deeply irresponsible' for the Obama administration to support a wholesale extension of Bush-era tax cuts, including breaks for the wealthy."

Item:*After 13 paragraphs trying to make the case to soak the rich from a study prepared for House Democrats, the final paragraph of a New York Times piece by Jackie Calmes dated August 10, entitled "Study Looks at Tax Cut Lapse for Rich," notes: "For their part, Republicans do not emphasize the impact of extending the tax cuts for wealthy individuals. Rather, they say Mr. Obama is about to spring a big tax increase on many small-business owners who file their taxes as individuals." Yet, concludes the Times article, "Analyses from the Joint Committee on Taxation and the Tax Policy Center, a nonpartisan research organization, show that less than 3 percent of filers with small-business income pay at the top two income tax rates, and many of those are doctors and lawyers in partnerships."*

Item: *Writing in Newsweek for August 11, in a piece entitled, "The GOP's Intellectual Dishonesty About Bush Tax Cuts," Ben Adler scoffs that the "claim that increasing by a few percentage points a few rich citizens' tax rate will harm economic growth is implausible. Outside of yacht manufacturers, Bentley dealers, and real-estate agents on Martha's Vineyard, not many workers depend on the slight variations in disposable income of the very wealthy for their livelihood."*

Correction: It would be unkind to question the honesty of *Newsweek*, the Obama administration, and the other left-wing class-warfare diatribes, barely disguised as analyses, but it would be hurtful to call their screeds truthful.

They attempt to make cases against the extension of "tax cuts" for the "wealthy" — more accurately described as increases in levies for virtually all taxpayers. The expiration of tax cuts also includes the return of the estate tax — that is, yet another tax on what's left of a dead person's belongings.

However, here is what is in store for us without corrective action:

A New Year's headache is projected that will include a rise in the top tax rate on wages of more than 13 percent, to 39.6 percent. The rates on all brackets will be increased. The lowest income-tax bracket, for example, goes up 50 percent, from 10 to 15 percent; the next level jumps from 25 percent to 28 percent, while the former 28 percent bracket will go to 31 percent. The middle-income family, with a median income of $63,366, would have its federal tax burden pushed up by $1,540 when the "Bush tax cuts" expire, according to a Tax Foundation analysis. Families would obviously differ according to income, marital status, children, and other variables.

Penalizing savers and investors, the capital-gains tax will be boosted by a third, to 20 percent, unless Congress acts. Dividends, already twice taxed, will be hiked 164 percent, from 15 to 39.6 percent. The child tax credit will be halved; the marriage penalty will be reimposed; and, as noted, the death tax is set to return, at a rate of 55 percent on estates of $1 million or more.

Treasury Secretary Geithner insists, among other claims, that extending tax cuts to those at the top of the income scale is a very ineffective economic stimulus, and bemoans that "America is a less equal country than it was 10 years ago, in part because of the tax cuts for the top 2 percent put in place in 2001 and 2003."

Yet, even the *New York Times* has had to admit (in a piece on July 13, 2010) that, "the top 5 percent in income earners — those households earning $210,000 or more — account for about one-third of consumer outlays, including spending on goods and services, interest payments on consumer debt and cash gifts, according to an analysis of Federal Reserve data by Moody's Analytics. That means the purchasing decisions of the rich have an outsize effect on economic data."

In short, it's not just Bentley dealers and yacht builders who are affected by confiscatory government action said to be directed against the "wealthy." If you want a job, you probably won't get it from a poor man. The income commandeered from the so-called rich might otherwise have been used to hire workers, expand production, or invest in research and development.

As for Bush tax cuts allegedly causing more "inequality," that assertion doesn't hold water either. Citing figures by the Internal Revenue Service, the Americans for Tax Reform organization points out:

> The top 1 and 5 percent of income earners paid a larger share of total income taxes at the end of the dec-ade than at the beginning. The top 1 percent (those earning more than $400,000) paid 37 percent of all income taxes in 2000, but 40 percent in 2007 (latest data year). The top 5 percent (those earning more than $160,000) paid 56 percent of all income taxes in 2000, but 61 percent in 2007.

In other words, the tax code got more progressive over the past dec-ade, not less. The top income earners in America (which includes a majority of small business profits) are paying a higher share of income taxes than ever before. The bottom half of earners pay virtually no income tax whatsoever (less than 3 percent of income taxes paid).

Reinstituting the higher taxes hurts not only the rich but also the poor and everyone in between, especially people who actually want to work for a living. The Jackie Calmes report in the *New York Times*, quoted above in the "Items" section, also had a significant omission, when it slighted the three percent of small businesses earning more than $250,000, implying that virtually the only workers being affected will be doctors and lawyers. The National Federation of Independent Business reports that that three percent employs about 25 percent of the nation's workforce. If you want jobs and an economic recovery, you don't pile more punishing taxes on those folks.

Research on the last seven recessions, explains the Heritage Foundation,

> shows that small businesses generate about two out of every three new jobs during recoveries. But the $3.2 trillion Obama tax hike in January will hit these businesses the hardest. As Heritage Foundation analyst Curtis Dubay has detailed, while only 8 percent of small businesses pay the highest two tax rates, those businesses earn 72 percent of all small business income and pay 82 percent of all income taxes paid by small businesses.
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> According to a study by the American Family Business Foundation, just stopping President Obama's death tax hike alone would create 1.5 million jobs.

However, the administration ghoulishly favors doing exactly the opposite. Raising the death tax, as currently proposed, would destroy 500,000 jobs, according to a study by the former head of the Congressional Budget Office and the president of Research on the Economics of Taxation. Nor does the government "need" the money. As it is, only about one percent of the total federal tax collections in 2008 came through this tax. Moreover, as the Tax Foundation has found, most of that revenue was largely diverted from other government accounts. Without the death tax, that is, other forms of taxation would still have gathered much of the revenue.

The federal government is also employing a class-warfare gambit with the punitive estate tax, trying to convince the public that this only affects the uber-wealthy. Yet, such levies also hurt small-business owners and their ability to create and sustain jobs; those that inherit, not infrequently, find themselves obliged to liquidate their assets in order to pay death taxes.

Perhaps worse, as Hadley Heath has written for the Independent Women's Forum, it is "inherently wrong" to take half "of someone's honestly earned life's work." She continues:

> Most individuals who leave death taxable inheritances have spent years and years working, saving, and contributing greatly to America's economy. The wealth they leave to their heirs has also already been taxed, often multiple times. They have paid income taxes and taxes on the gains realized through investments. Any homes, cars, farms, land, jewelry, or other goods purchased were bought with after-tax dollars, and they probably paid sales taxes on those goods too.

Senator Jim DeMint (R-S.C.) this summer attempted (unsuccessfully) to deep-six the death tax permanently. As he noted, the tax "kills jobs, hurts small businesses, destroys family farms and President Obama's plan to hike it from zero percent to 55 percent next year is unconscionable." If implemented, "Washington could get over half of family estates, farms and small businesses, a greater inheritance than the children of the deceased."

Humorist Will Rogers was more deadly accurate than funny when he pointed out that "the only difference between death and taxes is that death doesn't get worse every time Congress meets."

— Photo of Sen. Mitch McConnell: AP Images