



Written by [Brian Koenig](#) on September 21, 2011

AP: Obama Wrong About Middle Class Tax Payments

The Associated Press “fact-checked” President Obama’s combative proclamation that “middle-class families shouldn’t pay higher taxes than millionaires and billionaires.” In broadcasting his new “Buffett Rule” for millionaires, his so-called “revenue” vehicle for the American Jobs Act, Obama tossed a class-warfare grenade, claiming that the wealthy are not covering enough of the tax burden. The President demanded in a bellicose speech Monday that individuals earning over \$1 million a year must “pay their fair share” to help slash the soaring federal deficit.

Obama also vowed to veto any Republican bill that does not adopt a “balanced” approach to reducing the deficit, meaning if the bill does not include tax increases on high-earners he will axe the proposal. “I will not support any plan that puts all the burden for closing our deficit on ordinary Americans,” he [pledged](#). “And I will veto any bill that changes benefits for those who rely on Medicare but does not raise serious revenues by asking the wealthiest Americans and biggest corporations to pay their fair share.”

According to Fox News, the Obama campaign blasted out an email to supporters on Monday in defense of the “Buffett Rule,” which [read](#), “This proposal makes sure millionaires and billionaires share the responsibility for reducing the deficit. The other side is already saying its class warfare that’s their rhetorical smokescreen for providing millionaires and billionaires special treatment.”

The President’s branding of his new tax proposal percolates from Warren Buffett’s assertion that his 17.4 percent in taxable income is less than the percentage his employees pay in federal income taxes. “Warren Buffett’s secretary shouldn’t pay a higher tax rate than Warren Buffett. There is no justification for it,” Obama declared. “It is wrong that in the United States of America, a teacher or a nurse or a construction worker who earns \$50,000 should pay higher tax rates than somebody pulling in \$50 million.”

Last month, Buffett [wrote](#) in the *New York Times*:

While the poor and middle class fight for us in Afghanistan, and while most Americans struggle to make ends meet, we mega-rich continue to get our extraordinary tax breaks. Some of us are investment managers who earn billions from our daily labors but are allowed to classify our income as “carried interest,” thereby getting a bargain 15 percent tax rate. Others own stock index futures for 10 minutes and have 60 percent of their gain taxed at 15 percent, as if they’d been long-term investors.

The argument revolves around the notion that most wealthy Americans earn the majority of their money through various forms of investments, so they are taxed at the capital gains rate, which is capped at 15 percent lower than the top income tax bracket. So the President avers that it’s “hard to argue” that individuals earning over \$1 million a year “should not pay a smaller share” in taxes than the middle



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class. While on the surface this statement may seem hard to argue, the underlying question is, do middle-class Americans really pay more in taxes than the upper echelons of society? The Associated Press [says](#) no:

The data tells [sic] a different story. On average, the wealthiest people in America pay a lot more taxes than the middle class or the poor, according to private and government data. They pay at a higher rate, and as a group, they contribute a much larger share of the overall taxes collected by the federal government.

There may be individual millionaires who pay taxes at rates lower than middle-income workers. In 2009, 1,470 households filed tax returns with incomes above \$1 million yet paid no federal income tax, according to the Internal Revenue Service. That, however, was less than 1 percent of the nearly 237,000 returns with incomes above \$1 million.

APs fact-check found that data from the Internal Revenue Service indicated that the average middle-class American pays a significant lower tax rate than the wealthy, even taking into account lower tax rates on investments.

According to the Tax Policy Center, a nonpartisan Washington think tank, households earning over \$1 million will pay an average of 29.1 percent in federal taxes (including income taxes), while households reporting between \$50,000 and \$75,000 will only pay 15 percent in federal taxes; households earning between \$40,000 and \$50,000 will pay an average of 12.5 percent and households earning between \$20,000 and \$30,000 will pay 5.7 percent. Further, the Tax Policy Center assessed that 46 percent of all households will pay not a dime in federal income taxes this year, although they will still pay other taxes such as Social Security and Medicare.

AP has more:

The latest IRS figures are a few years older and limited to federal income taxes but show much the same thing. In 2009, taxpayers who made \$1 million or more paid on average 24.4 percent of their income in federal income taxes, according to the IRS.

Those making \$100,000 to \$125,000 paid on average 9.9 percent in federal income taxes. Those making \$50,000 to \$60,000 paid an average of 6.3 percent.

But APs analysis is not a revelation. Such disparities in tax rates have been true ever since the federal government instituted the progressive income tax scale. Its not just that high-earners contribute a higher amount in overall taxes, but also at a significantly higher percentage even when factoring in lower rates on capital gains and dividends. So if the President is striving for “fairness” in the tax code, why not phase out the trillion dollars in deductions and exemptions and institute one flat rate for all Americans rich, poor, and everyone in between? In fact, Obamas and Buffetts quarrel that the current U.S. tax code is riddled with deductions and loopholes for high-earners might build a case for a flat tax or national sales tax.

New York Democratic Governor Andrew Cuomo championed the “Buffett Rule,” [saying](#) he supports higher taxes for corporations and wealthy individuals if it will “create jobs, balance the budget and lower the deficit.” But unless monetary theory is tossed out the window, and all economic logic is defied, such ambitious dreaming will never meet reality. What’s left instead is a classic example of class warfare.



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