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Billionaires and their fair share

Steve Bakke  March 25, 2023



There was a time when we honored those who created the prosperity and the freedom that we enjoy. Today we honor the complainers and sue the creators. Perhaps that is inevitable in an era when we no longer count our blessing, but instead count all our unfulfilled wishes. – **Thomas Sowell, economist, author and Senior Fellow at the Hoover Institution**

“If you don’t understand the facts, it’s impossible to govern. If you know the facts but misrepresent them, you don’t deserve to govern.” I’m sure some great American is the source of that wisdom. In our current political environment there seems to be something to gain by insinuating, sometimes by outright accusation, that America’s richest citizens and “corporate America” are segments of society we should scorn. And they wouldn’t mind if you and I imagined nefarious intent.

Politics is inherently sloppy and cruel when it comes to characterizing the competition, but some political leaders have slipped so far into an alternate reality, it’s hard to correct the misinformation. On some issues our President seems to be leading the charge. If he believes the misstatements he makes, there’s no way he can make the right policy choices. And if the public believes him, the quality of their candidate choices should be called into question.

I’m referring to the President regularly denigrating prosperous Americans. An obvious goal is to alienate voters against wealth holders whom he accuses of not paying their fair share of taxes. He’s hoping to create a campaign wedge issue.

Following are examples of “lets-create-some-class-warfare” mischief. All are statements made by President Biden: “If you make a billion or a million dollars, God love you. But just pay something. No, I mean it sincerely. Just pay something”The “average tax” for billionaires is “about 3%,” (alternatively he’s used 8%) which is “a lower tax than a schoolteacher or a firefighter.”

The Tax Foundation doesn’t quite agree with those statements which can be confirmed in their “Summary of the Latest Federal Income Tax Data, 2023 Update.” In 2020 (the most recent data shown), the top 1% of taxpayers paid a 25.99% average rate. It’s also worth noting that their share of all individual federal income taxes paid was 42.3%. That was up from 38.8% in 2019. The top 5% of income earners paid 62.7% of the

total, and the top 10% of earners paid 73.7%. The top 50% of all taxpayers paid 97.7% of all federal individual income taxes.

Quoting President Biden once again: “Look, I think you should be able to be a billionaire if you can earn it, but just pay your fair share. I think you ought to pay a minimum tax of 25%. It’s about basic fairness”; “I think it’s about time we started giving tax breaks and tax benefits to working-class families and middle-class families, instead of just the very wealthy.”

I found some more reality in the Tax Foundation’s 2023 updated report. The President clearly endorses a minimum tax rate for billionaires of 25%. As disclosed earlier, the top 1% of taxpayers paid a 25.99% average rate in 2020. If 25% is OK with the President, what’s his complaint? Using these same official statistics, the bottom 75% of earners paid just 11.5% of income taxes collected. Slicing the data a different way, the Tax Policy Center found that, in terms of a raw count of taxpayers, approximately 60% of Americans paid no federal income taxes in 2020.

The President insists we should share tax breaks and benefits with taxpayers other than the “very wealthy.” The data presented in the prior paragraph demonstrates that working-class and middle-class families are not, on average, suffering excessive federal tax burdens.

While there are isolated exceptions to these averages, this data fairly represents overall impact for the various taxpayer groups. I just hope that readers, when making their political evaluations and choices, at least consider the information I’ve provided. They shouldn’t automatically accept partisan claims as determinative.

While you may conclude that the rich don’t pay enough taxes, or that tax rates are too low, make sure your opinions are based on accurate data. Whatever we conclude, these questions will never disappear: What’s a fair rate, and what’s a fair share?