CHAPTER RECAP:

MYTH OF PROGRESSIVE TAXES

As I warned earlier, bringing clarity to our Byzantine tax code in a few short pages is a daunting task, and I apologize for the fact that some of the preceding chapter has been, even for me as author, rather tough going. But I believe it constitutes important perspective relative to the discussions to follow.

So here's a cheat sheet of key observations and conclusions stripped free of the muddy factual support citations and underlying discussion.

1) As Americans, we have been told that we have a Progressive Tax Code and we believe it is appropriate that we *should have* a Progressive Tax Code.
   - But *we don't*.
2) Only approximately 1/5th of our national tax burden is calculated based upon progressive rate schedules.
   - In 2007 aggregate annual Federal, State and Local Taxes totaled $3.7 trillion.
   - But only roughly $800 billion of annual federal income taxes were generated from earned income subject to progressive rate schedules.
3) The true nature of Social Security and Medicare/Medicaid contributions and liabilities are broadly misunderstood.
   - The core SS/Medicare contribution rate is actually 14.2%, exceeding the average federal income tax rate paid in 2007 of 13.8%.
   - Since current SS/Med contributions are not being escrowed and invested in tangible assets, and are backed by nothing other than the government's unsecured promise and its ability to raise future taxes

or print more paper and inflate the currency, they should rightly be characterized as general revenues.

- The caps on earnings subject to SS/Med contributions give back to the upper income brackets a benefit roughly equivalent to the incremental taxes extracted by the progressive tax rate schedule.

4) Whether by active intention to deceive, or their own confusion and lack of awareness, our political class perpetuates the fiction of Progressive Taxes, causing most conversations about potential reform to start from an erroneous base.
5) Preferential treatment of investment income and the exclusive focus upon taxing income, rather than wealth, provides enormous benefits to the affluent and elite and is a substantial obstacle to the *American Dream* of *Equal Opportunity*.
6) The working poor, who labor for a living, pay a tax rate twice as high, or higher, than the "idle rich", who support themselves with income from investments[17] rather than through their labor.
7) The very wealthy often pay less toward the support of the government and society which supports and protects the value of their assets than they do to the investment managers who tend them.

[17] Assuming the investment income is managed into the form of long-term capital gains.