No Economic Recovery Until Obama Is Gone

People need to stop listening to the nonsense from Obama, Warren Buffett, and Democrat National Committee chairshriek Debbie Weisenheimer Schultz.

I received an email from someone who has bought into the "hate the rich" and "tax the rich" lies. It read in part:

"Who do you think can most afford to pay 28% percent of their income in taxes? A New York City fireman who makes $60,000 a year or a billionaire hedge fund manager who made $4.8 billion dollars a year?"

Obama has created a nation of idiots, as only an idiot would believe that a fireman pays a higher rate of income tax than a billionaire hedge fund manager. (In fact, one who thinks a New York City firefighter earns no more than $60,000 is also a bit naive. A firefighter in that city with at least five years on the job earns in excess of $75,000, and can earn $100,000 with overtime and holiday pay.)

Under the 2011 IRS tax schedules, there is no income tax on income up to $8,500 per year. For unmarried taxpayers, the rate is 15 percent for income of $8,500–$34,500; 25 percent for income of $34,500–$83,600; 28 percent for income of $83,600–$174,400; 33 percent for income of $174,400–$379,150; and 35 percent for incomes of $379,150 and greater. Whether one is a hedge fund manager or a firefighter or a plumber or a teacher is irrelevant; it is the adjusted gross income that determines the tax rate.

So, that $60,000 per year firefighter is in the 25 percent bracket. But he is not paying 25 percent on all of his earned income. He pays nothing on the first $8,500 and 15 percent on the difference between $8,000 and $34,500. He pays 25 percent only on the income above $34,500. (This example assumes $60,000 is his adjusted gross income, after allowable deductions, such as mortgage interest and charitable contributions.)

The billionaire hedge fund manager pays all of that and more. He also pays nothing on the first $8,500 and 15 percent on the difference between $8,000 and $34,500; 25 percent on the income between $34,500 and $83,600; 28 percent on the income between $83,600 and $174,400; 33 percent on the income between $174,400 and $379,150; and *35 percent for all income over that last amount.*

In addition to that tax on his earned income, he pays 15 percent on all capital gains earnings—which he generated with income that was *previously* taxed. Thus, he is *double-taxed*, at the 35 percent rate plus 15 percent, for a total of 50 percent. The firefighter also pays a 15 percent rate on any capital gains if he has any investments, such as in a mutual fund. He is also being double-taxed.

There is *no income* on which the firefighter (or a teacher or anyone else) pays a higher rate of tax than a millionaire or billionaire. *It is a falsehood to suggest that there is.*

Obama, Buffett, and their comrades have simply been lying. The hedge fund manager whose salary is $379,150 or more is paying income tax at a rate of 35 percent, while the firefighter certainly pays at a lower rate. Both the hedge fund manager and the firefighter pay the same capital gains tax of 15 percent. *There is no category of income on which the firefighter is taxed at a higher rate than the hedge fund manager—period.* Stop believing the lies.

Some argue that the capital gains tax should be greater than 15 percent. But remember that capital gains come from money *put at risk*. If you invest $20,000 in a business and that business then fails, *you lose the entire $20,000*. If the business succeeds and you end up with $30,000 on your investment after a few years, you pay a 15 percent capital gains tax on the $10,000 profit, or $1,500.

The investor looks at his $20,000 and thinks, "I can lose my shirt or, if my projections are correct, after a few years I will be able to sell my investment for $30,000, take a $10,000 profit, and pay $1,500 in taxes."

If you raise the capital gains tax to 35 percent (as many Democrats would like to do), that investor then says to himself, "I can lose my shirt or, if my projections are correct, after a few years I will be able to sell my investment for $30,000, take a $10,000 profit, and pay *$3,500* in capital gains taxes."

The investor considers the situation carefully and decides the risk of losing his $20,000 is too great for a potential profit of only $6,500 ($10,000 minus $3,500 tax). He decides to hold onto his $20,000 and *not* invest it in the business.*

That, folks, is why jobs are not being created. With the elimination of the Bush tax rates the investors see their 35 percent income tax rate going to 39.6 percent in 2013. Plus they see the "millionaire surcharge" Obama wants to tack onto that. Plus they know that Obama wants to raise the capitals gains tax. Plus they know that ObamaCare taxes also hit in 2013 and 2014, making it even more difficult for a business to succeed. Plus they see the EPA and other federal bureaucracies adding regulations up the wazoo that further hinder business. The investor looks at the economic landscape and sees so much potential for failure that he says, "Screw it. I'm not going to invest in *anything*. I'll sit back and wait until Obama is out of office and see what the next administration does."

Every time the capital gains tax has been lowered, it has resulted in the federal government taking in *more* tax revenue. Why? Because a low capital gains tax rate encourages people to sell their assets in order to invest them in something else, typically business expansion or business creation. Conversely, raising the capital gains results in *less* tax revenue for the government because investors simply hold onto their assets.**

Any idiot should be able to understand that 15 percent of *something* is better than 35 percent of *nothing*. Yet in 2008 ABC's Charles Gibson pointed out to Obama that raising the capital gains tax, as he proposed, always results in *reduced* tax revenues. Obama answered that he wanted to raise the tax anyway, in the interests of "fairness." *That* is the response of a Marxist ideologue. Obama is so determined to confiscate and redistribute the income of others that he would have investors pay a higher tax rate *even though it would mean reduced tax revenues and fewer new jobs.*

Like Obama, irrational and envious people are free to hate investors all they want. But they cannot change human nature. People act in their own rational self interest, and Obama has given investors multiple reasons to sit on the sidelines. That is exactly what they have been doing since the passage of ObamaCare, and the economy will not recover until Obama is removed from office and the threat of higher taxes is removed with him.

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*It is worth noting that if the financial risk can somehow be lessened, then investors are obviously more likely to put cash into a business venture. That is what happened with Solyndra, the now-bankrupt California solar panel company that received a $535 million loan guarantee from Obama's Department of Energy using 2009 "stimulus" funds. The Solyndra loan deal cooked up by the administration provided that, in the event of a company failure, billionaire Obama donor George Kaiser would be at the front of the line to collect any leftover assets—while U.S. taxpayers would absorb the loss. Obama saw to it that not only were the taxpayers forced to subsidize Solyndra, they were forced to guarantee a billionaire buddy's investment. Obama rushed an ill-advised federal loan for Solyndra so he could attend a factory photo-op and brag about how he was "creating green jobs," *but the deal itself was illegal*. Under the Energy Policy Act of 2005, all Department of Energy loans "shall be subject to the condition that the obligation is not subordinate to other financing." That is, the private investors must lose their investment *before* the taxpayers. Obama's loan to Solyndra was a violation of federal law. Arguably, the Solyndra loan deal constituted fraud against the United States—a federal crime which can result in a stiff prison sentence.

When investors risk their own private capital on business deals they understandably do their best not to put their money in shaky ventures. Solyndra was a risky investment that attracted private capital *because the risk was underwritten by the taxpayers*. Thanks to Obama, Kaiser's investment was a "heads, I win" or "tails, the taxpayer loses" coin toss. Remarkably, the Obama administration was set to guarantee *another* loan of several hundred million dollars for Solyndra to keep it afloat—at least until the November 2012 election. Luckily for the taxpayers, House Republicans got wind of the scheme and brought an end to it before more tax dollars were wasted.

While protecting his campaign donors' investments with loan guarantees covered by the taxpayers, Obama has been flying around the country on an almost non-stop class warfare campaign trip in which he is calling for higher taxes on the very people he needs to invest in job-creating businesses. He is most assuredly increasing the risk for most investors, but for a large enough campaign contribution he has shown that he is willing to have that risk reduced for the connected few.

With regard to Obama's billionaire buddy Buffett, he likely has a fortune invested in tax-free municipal bonds that provide him with an enormous amount of interest income. Buffett can pretend to be generous and eagerly support higher taxes on earned income *because that is not where he makes his money*. If Buffett and Obama truly want to tax the "super-wealthy" they should focus not on the tax rates that apply to earned income (from wages and salaries) or capital gains (from taking risks with one's money), but on municipal bonds—which allow people like Buffett to earn taxpayer-paid interest income that is both risk-free *and* tax-free, while providing governors and mayors with huge slush funds for over-priced construction projects that benefit relatives, political cronies, and union campaign donors. Arguably, Obama and Buffett are proposing tax policies that prevent other people from becoming wealthy while protecting those who already are.

** As an example, when the capital gains tax rate was reduced from 20 percent to 15 percent the government's Joint Tax Committee incorrectly projected a *loss* $5.4 billion in tax revenue between 2003 and 2006. In fact, the revenues *increased* by $133 billion during that period. The reduction in the tax rate for dividends also produce more, not less, revenue.