



Coddling the Rich

Billionaire Warren Buffett, also known as "The Oracle of Omaha," works hard to keep a folksy, down-to-earth reputation despite a net worth reaching as high as \$62 billion. His Berkshire Hathaway shareholder meetings are the rock concerts of the investment world, attracting upwards of 40,000 attendees, and his annual letter to shareholders is pored over like the latest pronouncement from the pope. Buffett has become a favorite "go-to" guy when lawmakers and reporters need a voice of financial reason, and he has weighed in on topics as diverse as the government bailouts, stimulus spending, and stock market gyrations.

So it's no surprise that Buffett has something to say about taxes. What's surprising is that he thinks people like himself and his mega-rich friends should pay *more!* Last week, he wrote a piece in the *New York Times* calling on government to [stop coddling the super-rich](#). "Last year my federal tax bill - the income tax I paid, as well as payroll taxes paid by me and on my behalf - was \$6,938,744," Buffett writes. "That sounds like a lot of money. But what I paid was only 17.4 percent of my taxable income - and that's actually a lower percentage than was paid by any of the other 20 people in our office. Their tax burdens ranged from 33 percent to 41 percent and averaged 36 percent."

Buffett's solution? He argues that Congress should raise rates immediately on the 236,883 taxpayers reporting income over \$1 million, and raise them even further on the 8,274 earning more than \$10 million. "My friends and I have been coddled long enough by a billionaire-friendly Congress," he concludes. "It's time for our government to get serious about shared sacrifice."

Buffett saw his net worth drop \$25 billion in just 12 months during 2008 and 2009. He's shown he can handle a little financial pain, and he probably won't miss any extra he pays in tax. But what about everyone else?

Three days later, *The Wall Street Journal* countered Buffett's argument and accused him of [volunteering the middle class for a tax increase](#). The *Journal* cited their own former editor Barney Kilgore's observation that it's easy for rich people to call for higher taxes because they already *have* their money. And they pointed out what they called three flaws in Buffett's argument:

1. Much of the income Buffett says isn't taxed enough consists of "qualified corporate dividends," which are already taxed before they even reach him at corporate rates of up to 35%.
2. Taxing "the rich" alone won't raise enough to close the deficit gap because there just aren't enough of them. That's why the President has called for higher taxes on families making over \$250,000 per year, most of whom aren't billionaires or even millionaires.

3. Finally, Buffett has already sheltered the bulk of his fortune from future taxes by pledging it to a charitable foundation.

If you're not sitting on a billion-dollar fortune, you have a couple of ways to look at Buffett's call - whether you think taxes should go up or not. Those of you who think taxes are high enough already can see how he uses perfectly legal tax planning to cut his own tax to the legal minimum - and resolve to do the same ourselves. Those of you who think the government really does need more revenue can see his voice as adding weight to the growing chorus for that revenue. Whichever side you take, though, we're here to keep *your* taxes to the absolute minimum possible.