

The Buffett Rule

I'm Brian Dietz, and today's topic is the Buffett Rule. Warren Buffett—an American icon, number two on the Forbes list of the wealthiest Americans—he realized recently that he is paying a lower share of his income in taxes than his secretary. Now, Warren Buffett is a smart guy. He realizes that's not right and that's not fair, but it's not surprising.

Take a look at this chart. What you see here is the average tax rate paid by people in the middle twenty percent of the income bracket: middle-income people. Over the last fifty years, it stayed roughly constant. At the same time, you've seen the average tax rate paid by the wealthiest Americans fall dramatically: take, for example, the top one-tenth of one percent, where the wealthiest one out of every thousand families, you've seen their average tax rate paid fall in half, from more than 50 percent fifty years ago, down to about 25 percent today. And many of these wealthy Americans are paying even less.

Now that's a problem. We're going in the wrong direction. Warren Buffett understands it's a problem; the president understands it's a problem, which is why he's proposed what we're calling the Buffett Rule. Now many of you've seen the TV show *The West Wing*, and on it there was a character named Will Bailey, who used a white board himself to illustrate a tax concept, and I don't have the Emmy award-winning writers, but I'm gonna borrow a page out of his book.

So let's start with an executive assistant. You've got a 35-year-old single mother. She works hard, she does her job, and she takes home 49,480 dollars. That's a national median salary for executive assistance the United States. She sits down to do her taxes, she takes out deductions and exclusions, and at the end of the day, she pays an effective federal tax rate of 60 percent. Next, you have a young married couple, a teacher and a cop. They work hard as well. Together they make 105,000 dollars. When they sit down to do their taxes, it works out to 19 percent. Finally, we have a doctor. The median salary for general pediatrics in this country is 173,900 dollars. A married couple on that income, works out to 23 percent of their income. 60, 19, 23. It's the basic core of our progressive tax system. As you earn more in income, you pay a somewhat higher share of your income in taxes. And as Will Bailey points out, it's a concept that's been around for more than a century.

Now I'm gonna add an additional group. I'm going to call them the uber wealthy. The 400 highest earners in 200—the year with the most recent data—on average, they earned 110 million dollars a year. Just to put that number in perspective, that is a thousand times more than our teacher and our cop. A thousand times. That group—on average—paid, on average, they paid 18 percent. That's just a little bit more than our Executive Assistant; it's less than our teacher and our cop; and it's less than our doctor. Eighteen percent. And that's just an average. In fact, there are thousands of people making over a million dollars a year that pay far less than this. According to more recent data, there were 22,000 people that made over a million dollars per year who paid less

than 15 percent of their income in taxes, less than all three of the families that we talked about.

So this is why we need the Buffet Rule. The Buffett Rule the president proposed and has now been introduced in the Senate, and is pending before that body, what would it do? For our Executive Assistant, there'd be no change in the taxes they pay. The teacher and cop, they say the same. The doctor, same thing. But for families making over a million dollars each year, the Buffett Rule would enshrine a basic principle of fairness in our tax code. It would say that those families should pay at least 30 percent of their income in taxes.

So that's it: simple, basic, and fair. Those who make over a million dollars a year shouldn't pay less than 30 percent of their income in taxes. I know this isn't this funny and fast-paced and witty as a TV show, but this is real life. And millions of families out there like these three that we talked about are working hard every day, and they deserve a tax code that reflects the principles of fairness and hard work that they hold dear.