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Proposals tax rich to pay for benefit programs

By Richard Wolf, USA TODAY

WASHINGTON — Three tax increases proposed by President Obama and House Democrats on the richest Americans could produce the highest tax rates in a quarter-century.

The latest is this week's proposal by House Ways and Means Committee Chairman Charles Rangel, D-N.Y., and others to impose a surtax of up to 5.4% on annual incomes of \$350,000 or more to help pay for overhauling the health care system. About 500,000 taxpayers earning \$1 million or more would pay the full surtax.

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Obama's budget, released in February, calls for letting tax cuts for top earners enacted at the beginning of the decade expire in 2011. That would raise the top rate from 35% to 39.6% on incomes above \$373,000.

During the presidential campaign, Obama favored bolstering Social Security by subjecting family income above \$250,000 to the 12.4% payroll tax, paid equally by employees and employers. The tax currently is levied on income up to \$102,000.

All told, shifting the cost of health care, Social Security and other budget priorities toward high-income Americans would mean an actual tax rate above 45% for the wealthiest — "levels never seen," says Clint Stretch, a tax expert at Deloitte Tax LLP. When top rates were higher, tax shelters helped reduce the percentage of income paid.

White House press secretary Robert Gibbs said this week that Obama "believes that the richest 1% of this country has had a pretty good run of it for many, many, many years." The top 1% had income of \$557,000 or more, according to the non-partisan Tax Policy Center.

Relying on top earners to pay for benefit programs risks reversal if Republicans return to power, says William Gale of the [Brookings Institution](#), a think tank. "We cannot do this on the backs of the rich," he says.

Robert McIntyre of the liberal Citizens for Tax Justice says Obama eventually must look beyond the 6.4 million taxpayers earning \$200,000 or more. "At some point, you just can't squeeze them anymore," he says.

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