

TAX THE RICH - PERSPECTIVE

“Money has strategic importance, as a way to fund what matters most, not to demonstrate who has the most.”

- Paul Stoltz

What happens when a government tries to tax only the “rich?” Rich is defined by Webster’s dictionary as “having abundant possessions, especially material wealth.” Obviously, this definition is relative, depending on where you are in life. It’s a given that taxes are likely to increase in the future. Contrary to calls for a more progressive tax system, a compelling case can be made that taxes will need to be spread out across a broad spectrum of people, and not just limited to the “rich.” Below is an example.

Maryland’s Attempt

Several years ago, the state of Maryland decided to tax the “super rich”, i.e., millionaires, with a special tax in an attempt to balance their budget. The problem, however, is that when you overtax someone and they have the means to relocate, they will likely move to a more tax-friendly jurisdiction. Since 2007, the number of millionaires in Maryland has dropped dramatically, both because wealthy people have left the state and partly because the economy has suffered from their departure. Maryland wanted to balance its budget based on taxing the “super rich” and found that their strategy did not have the intended consequences. In 2012 Maryland passed a new bill raising the state and local income tax rates to 8.95% from 8.7% - from an initial base of 7.95% several years prior. Instead of collecting more tax dollars from wealthy individuals, those wealthy and mobile taxpayers fled, leaving the middle-class stuck with paying one of the highest tax rates at a state/local level in the country.

Fairer Solution

The point is that taxing only the rich often produces unintended, unproductive and undesirable consequences. In order to effectively increase overall tax receipts, taxes must be implemented over a wider taxpayer base, which by extension, would include a wider array of socio-economic groups. A fairer system would tax every person at a rate according to their means. It is politically unpalatable for lawmakers to propose raising taxes for fear of losing their support base, but prudence is required now to address the potential tax burden for future generations. It is clear that a fair and equitable system is required. However, the current system where 50% of wage earners don’t pay taxes at all also seems unfair, especially when the burden of raising 100% the taxes falls on the other 50%.



The logo for Trent Capital Management, featuring a stylized green and white graphic of a tree or plant to the left of the word "Trent" in a serif font, with "Capital Management" in a smaller sans-serif font below it.

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