

*By Alec Feinberg  
Based On Chapter 4, From the book  
The Truth of the Modern Recession - Root Causes and Reliable Solutions*

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## **Why Our U.S. Tax Structure Favors the Wealthy and How It Should Change**

*Here we provide excerpts from our book illustrating initial issues on the tax structure problems in the U.S.*

### **4.2: Root Cause—Tax Bracket Stops at 35%**

The initial fact to look at is the upper 2009 tax bracket, since it is our first potential root cause.

**Remark 4.1:** Currently the 2009 tax bracket stops at 35% for an annual income of \$372,950. The progressive tax bracket increases up to that point and then stops. Why?

This immediately draws our attention. Presented in the last chapter was a rather large amount of information that showed individuals in recent years were making extraordinarily increasing yearly incomes, many times greater than \$372,950 and in one case up to \$3.7 billion (Remarks 3.1 to 3.3) and this individual actually paid substantially less than 35% tax (a reported 15% - the same tax as someone making approximately \$34,000, see remark 4.2-A). Note that dividing \$3.7 billion by \$372,950 results in a factor of 9,920 times larger than the upper tax income bracket! This is a disturbing reality prompting further analysis.

It appears the upper tax bracket is not adequate to deal with today's rising income for highly compensated individuals and poses a long term reliability economic threat. This not only prompts concern regarding the tax structure, but one has to question why the government has ignored it. This is one reason for adding the 3<sup>rd</sup> suspect key administration tax issue that turns out to be complex enough that we later have devoted Chapter to it entitled "A Lobby Full of Conflicts of Interest."

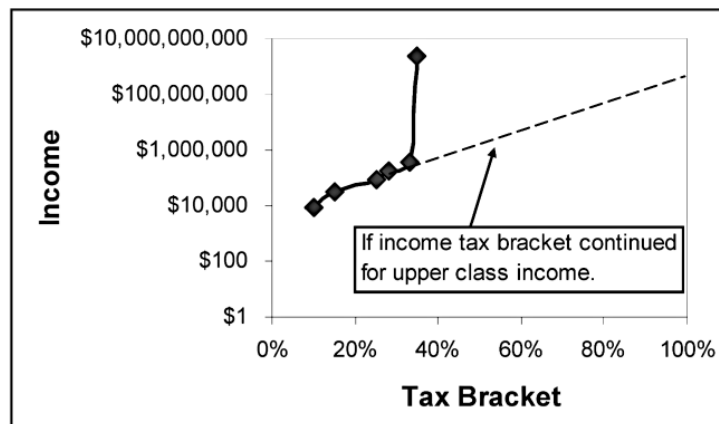
To start, consider the upper tax bracket by looking first at the 2009 tax structure for a single individual in Table 4.2.

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**Table 4.2** 2009 Income Tax Bracket<sup>1</sup>

Salary Made From	Salary Made To	2009 Tax Bracket	Progressive Tax
\$0	\$8350	10%	✓
\$8350	\$33,950	15%	✓
\$33,950	\$83,250	25%	✓
\$83,250	\$171,550	28%	✓
\$171,550	\$372,950	33%	✓
\$372,950	“above”	35%	✓

In this instance, a graph seems appropriate to look at the U.S. tax model. Here we plot the upper income salary (column two) versus the tax bracket and substitute the maximum known yearly income of \$3.7 billion as the last number for the word “above” in the table to arrive at the plot in Figure 4.1.



**Figure 4.1** 2009 tax bracket versus upper income level with dashed line showing the logical continuation of the bracket for upper class income.

Looking at the plot, the irregular line more clearly illustrates the issue in the tax bracket structure. The logical increase has been added using a dotted line. The figure shows our tax structure clearly is uneven and favors the **upper income individuals** since it is not extended. That is, prior to 35% the more money a person makes the higher his tax bracket, except after \$372,950. **The question is, why does it stop there?** It should continue to be consistent and fair. This indicates that a disproportionate tax is removed at the lower end compared to the upper income tax bracket (i.e. it is unequal at the upper and lower ends). The upper level should be equally weighted as shown by the dotted line.

There is a strong precedent for a higher income tax rate. In fact the income tax during World War II reached 94%.

<sup>1</sup> [www.moneychimp.com/features/tax\\_brackets.htm](http://www.moneychimp.com/features/tax_brackets.htm)

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**Remark 4.2:** “The rate had reached 94% during World War II, on income over \$200,000 (approx. \$2.5 million in today's dollars). It dropped down to 91 percent in 1946 and remained there until the Kennedy tax cuts in 1962-64. Brackets weren't inflation adjusted back then, so it still applied on income over \$200,000, which by then had reached \$1.4 million in today's dollars.”<sup>2</sup>

***More Information is provided in the Book. Below is an introduction to a 100 Percent Equitable Progressive Income Tax. To understand what this means and how it works is provided in the Chapter with a table illustrating the income that would be allotted for wealth individual using such an equitable system.***

**4.7: The One Hundred Percent Equitable Progressive Income Tax Structure with Salary Cap as a Potential Corrective Action**

A realistic and logical extension of the tax structure is shown by the dotted line in Figure 4.1 that indicates how the tax bracket could be fairly increased. Table 4.6 has been generated by following the dotted line in the figure. It provides one possible scenario for a realistic corrective action. We call this the one hundred percent equitable progressive income tax structure with salary cap.

***Please see the book to understand the actual proposed tax structure.***

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<sup>2</sup> [www.taxfoundation.org/blog/show/23697.html](http://www.taxfoundation.org/blog/show/23697.html)