

Who wants to be a Billionaire?

If you are in the United States, you know that July 15 was “Tax Day” – it was postponed from April 15 to allow people extra time to prepare taxes due to the impact of the coronavirus. I saw an article last week entitled “Billionaires Boom as State Budgets Go Bust” which crunched numbers on how the collective net worth of America’s billionaires jumped between March 18 and June 17, 2020 and the claim that America’s richest citizens are not paying their fair share of taxes.

We get it – the coronavirus has had a horrific impact on the global economy. In the US alone, approximately 45 million Americans lost their jobs in the initial 3-months of the pandemic. That is a staggering figure, considering that the population of the US is estimated at just over 330 million.

To summarize the statistics: during this 3-month time period, the 600+ billionaires in the US saw their wealth grow by approximately \$584 billion, increasing from \$2.95 trillion to \$3.53 trillion, according to statistics quoted by Americans for Tax Fairness. This is an approximate 20% wealth increase in just three months.

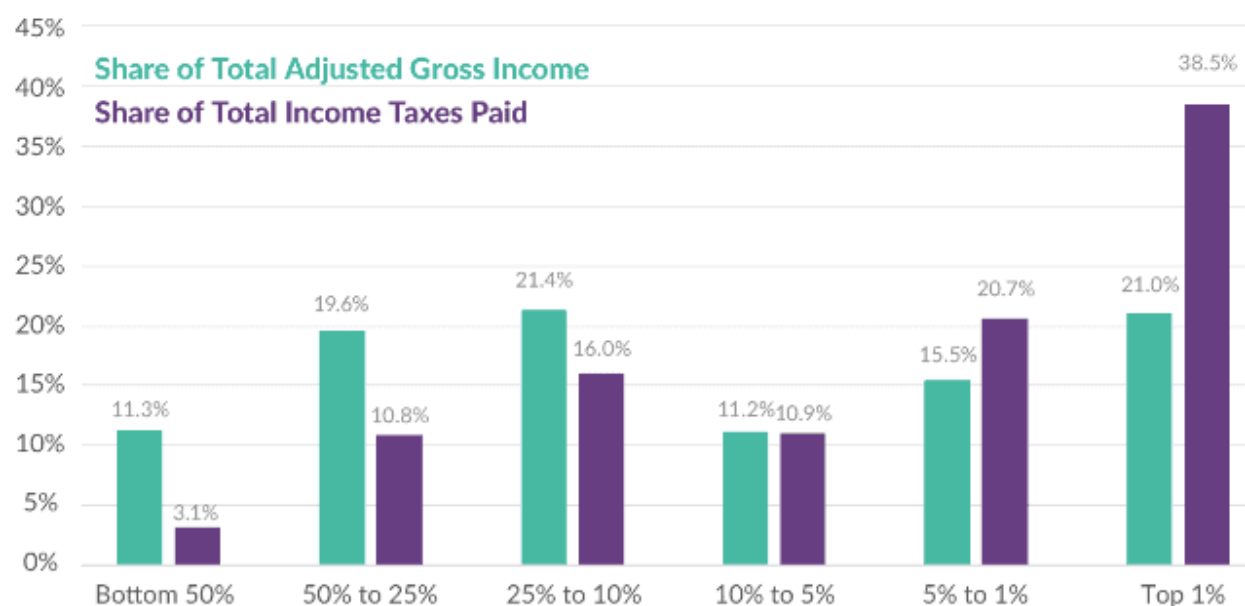
On the surface, this is a staggering figure and the headline may be shocking to the average American. But it brings up the old problem of who is actually paying their “fair share”? Just as every special interest group has an agenda, there are two things to look at in the face of the article’s title – (1) are the rich actually paying their “fair share” (some of you are not going to like the answer) and (2) Did the billionaires really see almost a 20% increase in their wealth?

Are the rich paying their fair share?

The most recent statistics from the IRS based on a February 2020 update as analyzed by the Tax Foundation say this about that, based on 2017:

Half of Taxpayers Pay 97 Percent of All Income Taxes

Share of Income and Share of Federal Income Taxes Paid, by Income Group (2017)



Source: IRS, *Statistics of Income, Individual Income Rates and Tax Shares* (2019).

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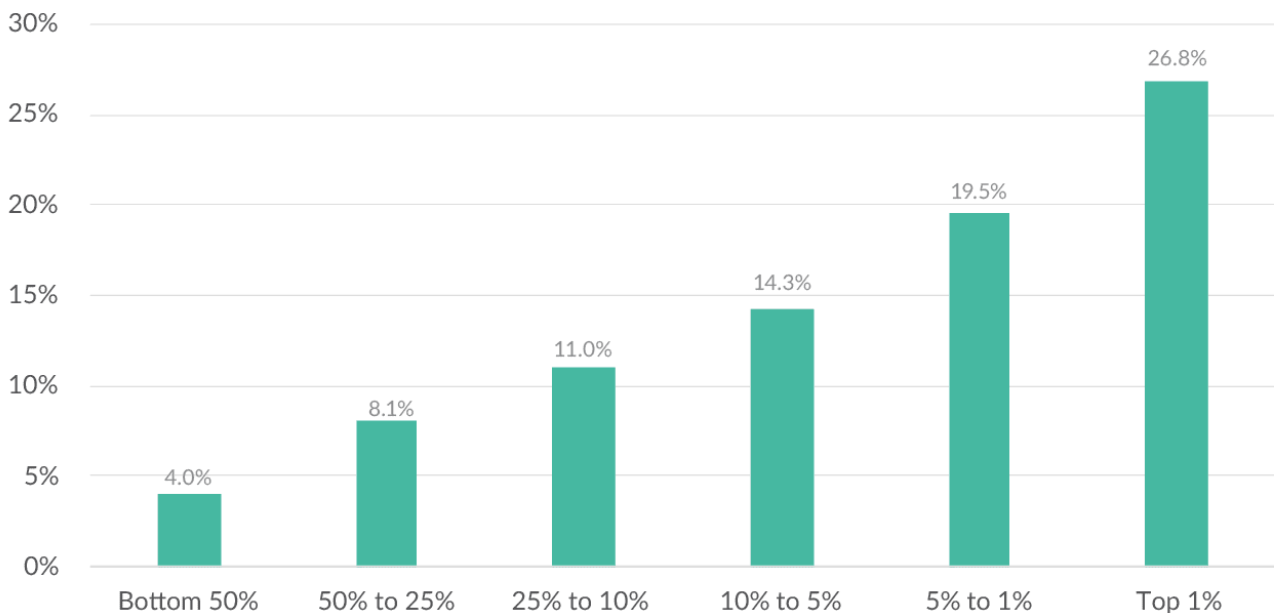
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As you may have noticed, the top 1% (adjusted gross income of more than \$515,371) paid 38.5% of total income taxes while earning 21% of total adjusted gross income. Or as the graph shows, the top 5% of income earners (adjusted gross income of more than \$208,053) who earned 36.5% of adjusted gross income, paid 59.2% of income taxes. In stark contrast, the bottom 50% of income earners (adjusted gross income of less than \$41,740) who earned 11.3% of income paid 3.1% of income taxes.

The following graph is more telling – the top 1% had an average tax rate 26.8%. The bottom 50% had an average tax rate of 4%.

High-Income Taxpayers Pay the Highest Average Income Tax Rate

Average Federal Income Tax Rate, by Income Group (2017)



Source: IRS, *Statistics of Income, Individual Income Rates and Tax Shares* (2019).

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While some people might be inclined to dismiss these statistics, the numbers supporting these graphs are readily available and anyone can download them. You can draw your own conclusions, but the evidence just screams at me... (hint: the rich are paying at least their “fair share”).

Did the billionaires do better or worse than the market?

Question #2 – the short term increase in wealth of America’s billionaires. Let’s not ignore the fact that these billionaires run hundreds of companies that employ millions of people in the US and abroad. Let’s also not ignore the fact that unlike some industries, many of these billionaires’ companies were actually hiring people during the pandemic to ensure delivery of products or services. And keeping Americans employed.

On February 19, 2020, the US S&P500 index closed at 3,386.15 –

this is a 40-year high, as the US economy continued to fire on all cylinders.

That bears repeating – that’s a 40 year high.



One month later (March 18, 2020), the index was at 2,398.10 – that’s a 29% loss in one month, as the market absorbed the potential impact of coronavirus on the global economy. Anyone with a market-related retirement account felt that in a big way. On June 17, 2020, the index had recovered to 3,113.49. This is a 31% increase in the market in just three months – equally staggering. But the billionaires (and everyone with a market-weighted account) are still worse off than before as the pandemic took the markets down...apparently the Americans for Tax Fairness forgot to analyze that.

Markets go up and markets go down – an undisputable fact. However, I would be disappointed as one of those 600+ billionaires (if I were shortsighted, that is) – the market was up almost 31% but my average wealth only grew 19.8%? That’s a clear underperform in anyone’s mind.

And the article “Billionaires Boom as State Budgets Go Bust”?

Well, a great headline, but looks to me like Americans for Tax Fairness are comparing apples to...well, I don't know...road apples?