

Politicians like to talk about the rich paying “their fair share” of taxes.

But politicians don’t define “fair”. What constitutes a “fair share”?

For example, it seems clearly unfair that the rich should pay no taxes.

But, it also seems clearly unfair that the rich should pay 100% of their income in taxes (if they did, then they’d be the poor, not the rich).

If we agree that “fair” is more than 0% but less than 100%, then we cannot argue that the rich should pay more until we first establish how much is too much.

One logical place to start is a perfectly equitable tax.

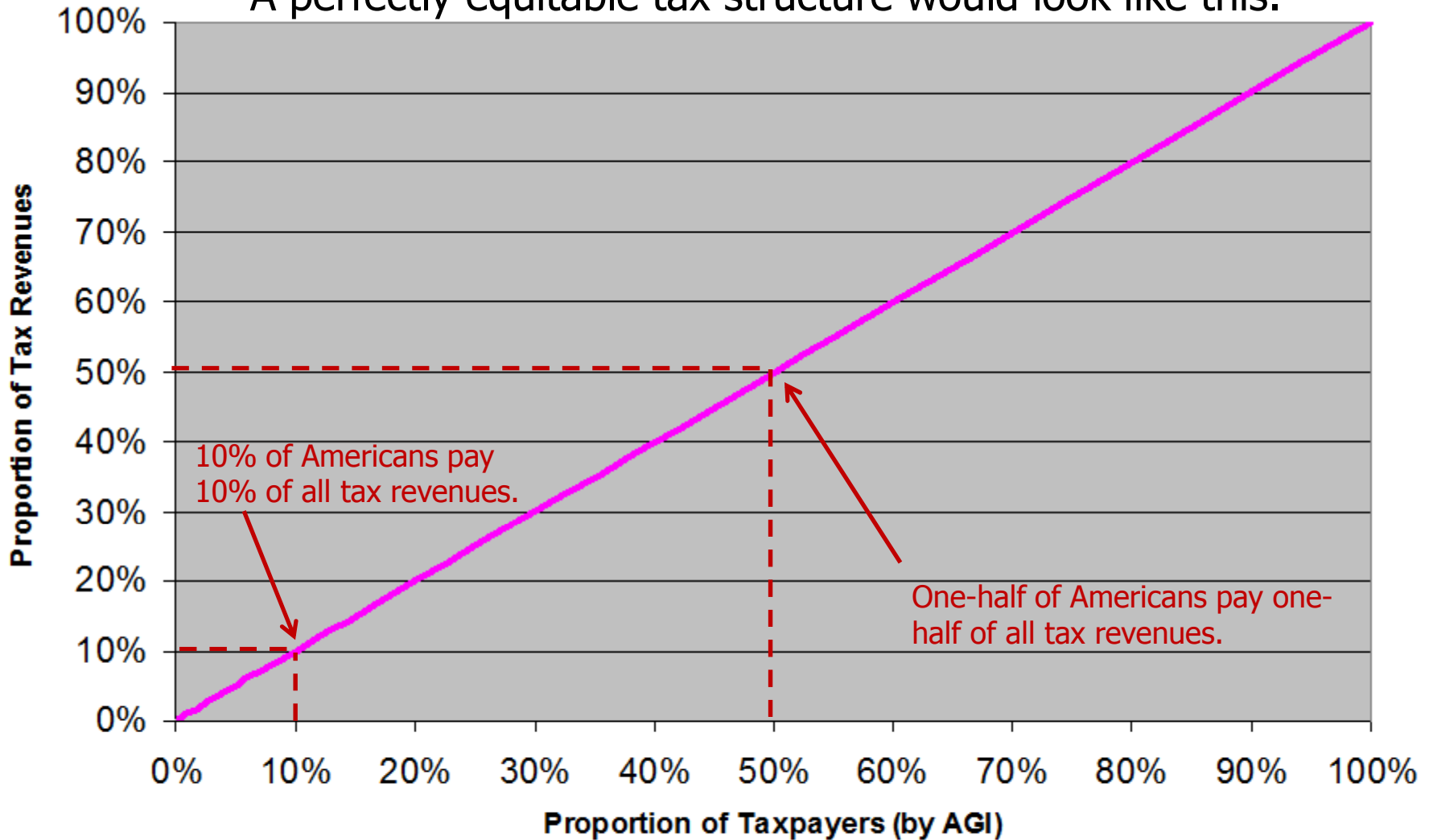
A tax is perfectly equitable if everyone is paying the same percentage of his income.

For example, if you earn \$10, you pay \$2,

if you earn \$10,000, you pay \$2,000,

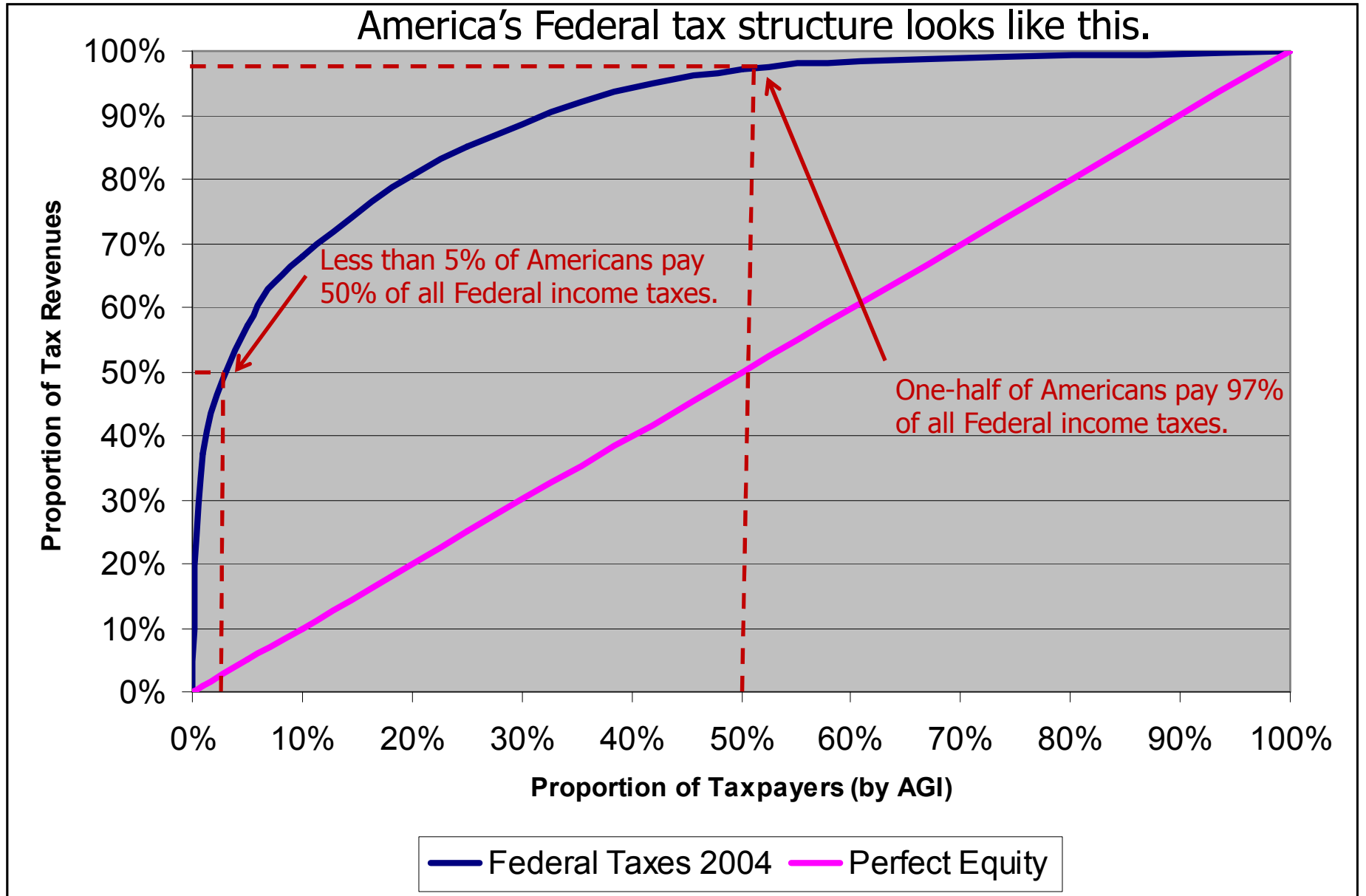
if you earn \$1 million, you pay \$200,000.

A perfectly equitable tax structure would look like this.

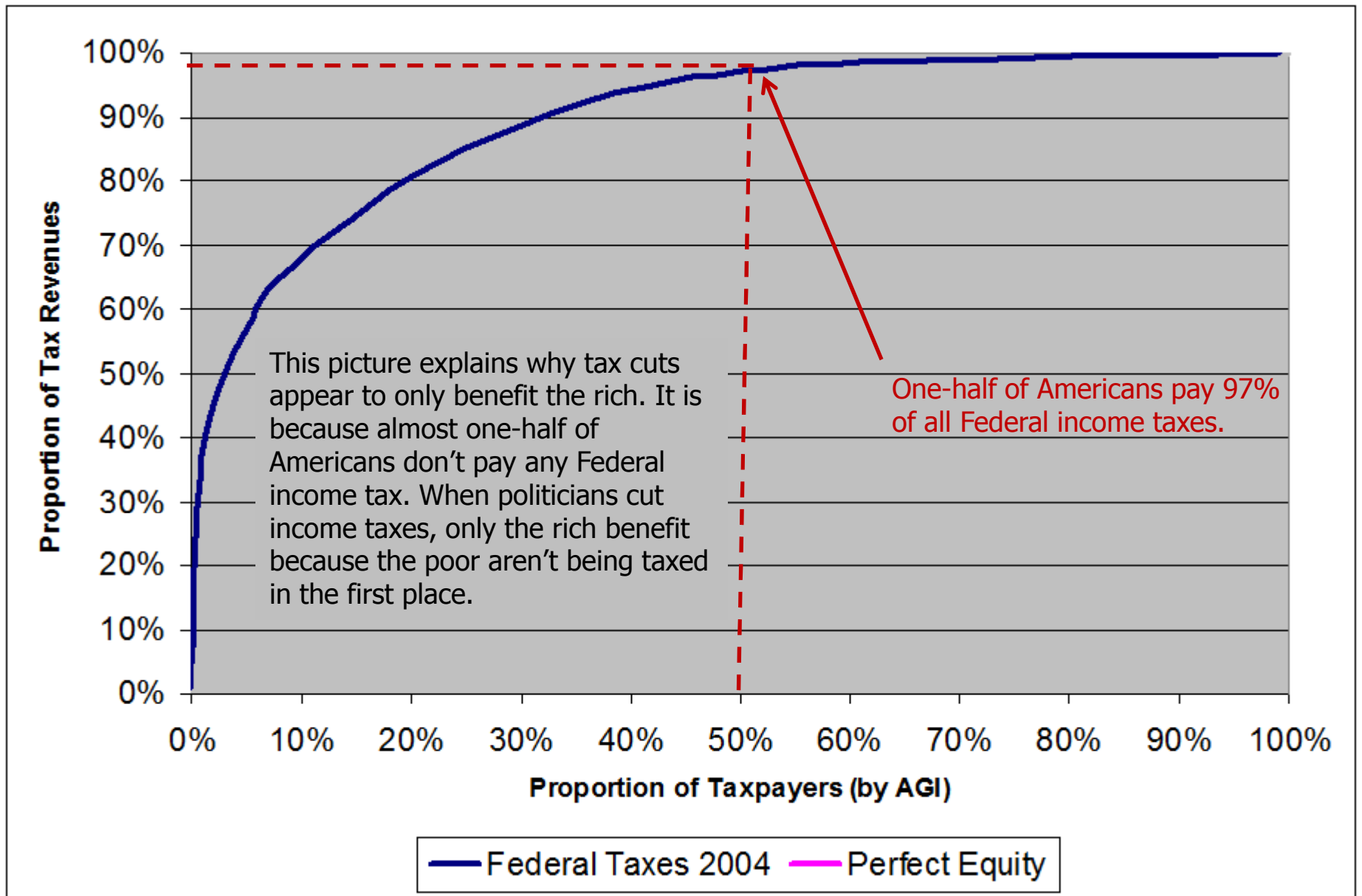


— Federal Taxes 2004 — Perfect Equity

America's Federal tax structure looks like this.



Source: U.S. Census Bureau



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