

# CHAPTER 3

## INCOME TAX REFORM

*“The hardest thing in the world to understand is the income tax.”—Albert Einstein*



**INCOME TAX OF 70% ON INCOMES  
OVER \$3,000,000**

When Reagan took office in 1980, “Reagenomics” consisted of massive tax cuts for the wealthy and the cutting back of social benefits for the poor. These two actions set into motion the current huge income inequality that now exists in America.

This situation was exacerbated by President George W. Bush giving massive tax cuts to the wealthy, under the pretense that “trickle-down economics would lead to great wealth for the poor.”<sup>6</sup> However, the fact is that these policies have led to an economic disaster for America’s middle class—now living at the edge of poverty.

Historically, in all societies where a few people accumulate great wealth, a two-class society evolves: “the haves” and “the have nots.” Because of the Reagan-Bush policies we are now on the verge of a two-class society: “rich” and “poor.” History further tells us that when this condition occurs, societies crumble and democratic order disintegrates.

Reform Solution: Income Tax of 70% on  
Incomes Over \$3,000,000

In 1981, the top nominal tax rate for married filing jointly was 70% on incomes above \$215,400.<sup>7</sup> The Tax Equity and Fiscal Responsibility Act of 1982 reduced the top nominal tax rate of married filing jointly to 50% for incomes above \$85,600, resulting in an immediate 20% cut in taxes for the wealthiest Americans.

This was further exasperated with the Tax Reform Act of 1986, lowering the top nominal tax rate to 38.5% for married filing jointly on incomes above \$90,000. Then in 1988, this same act lowered the top rate further to 28% on incomes above \$29,750. Ultimately in 1990, the top nominal tax rate for married filing jointly was 28% on incomes above \$32,450.

Clinton passed the Omnibus Budget Reconciliation Act of 1993, which raised the marginal tax rate for married filing jointly to 39%—a helpful gesture, but not a cure. The best, most fair and equitable solution is a tax increase to 70% on incomes above \$3,000,000.

