NYTimes NIX AD MAR. 24 1973

Some Pointers on How The Rich Stay Rich

By Philip M. Stern

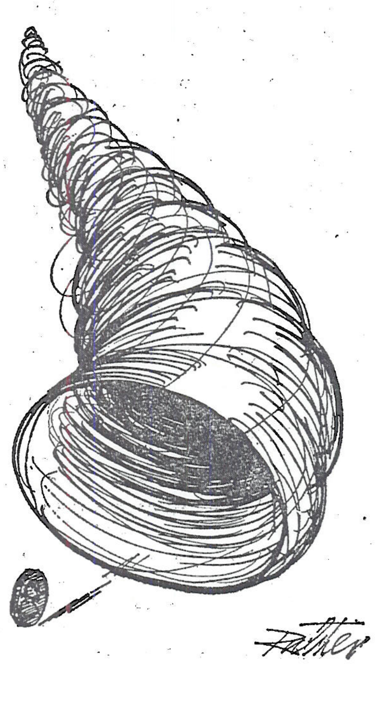
WASHINGTON — John D. Ehrlichman, Mr. Nixon's top domestic lieutenant, has floated the notion that "there is no way" of raising large amounts of revenue through loophole closing other than through "digging into the average taxpayer's exemptions or charitable deductions and mortgage credits (sic)." That is sheer demagoguery and contrary to the facts.

The fact is that huge amounts of revenue—far greater than the $15-billion of alleged Congressional "over-spending" to which Mr. Ehrlichman refers could be raised by closing loopholes that mainly benefit the rich and the large corporations.

For example, according to a computerized analysis of tax returns by two Brookings Institution economists, about $14 billion would be raised annually in a single stroke—by taxing capital gains on the same basis as earned income (with a system of income averaging to avoid unfairly high taxation of gains accrued over a period of years). But capital gains are the almost exclusive province of the wealthy (half of all such gains go to the richest six families in every thousand and nearly two-thirds go to the richest 3 per cent of families). So evidently closing this loophole has little interest for Mr. Ehrlichman or his employer.

Nearly $6.5 billion would be raised simply by repealing two major tax favors for corporations — the investment tax credit and the asset depreciation range. But that would take away enormous tax advantages enjoyed mainly by the huge corporations and apparently that has little appeal for Mr. Ehrlichman and his employer.

More than $21 billion would be raised by abolishing the privilege of filing joint returns by married couples —a little-questioned feature of the tax law that grants the lion's share of its benefits to wealthy married couples. Less than 3 per cent of the benefits of joint-return filing go to the 46 per cent of families who make $10,000 or less.



But Mr. Ehrlichman seems determined to divert attention away from those facts. He would lead the public to believe that the only way to raise substantial revenues through tax reform is to attack the few preferences that accord any benefit to the average taxpayer.

He refers, for example, to the personal exemption. But he fails to mention how even that feature benefits the rich more than the poor—that a top-bracket Mellon or Rockefeller gets $525 of benefit for each personal exemption — five times the $105 of benefit accruing to the lowest-bracket ghetto-dweller. That inequity could easily be erased—and nearly $2 billion of added revenues raised — by substituting a $150 flat tax credit to each taxpayer and his dependents instead of the present discriminatory personal exemption. Just such a change has been suggested by many Congressional tax reformers. But neither Mr. Ehrlichman nor his employer proposes any such reform.

Mr. Ehrlichman also talks of "digging into" the charitable deduction and the mortgage interest deduction. That is effective scare talk that will doubtless arouse the fears of homeowners and of churches, colleges and other charities. But it does very little to illuminate the question of legal tax-dodging through the loopholes with the benefits that flow to the well-to-do. The fact is, according to the Brookings analysis, that $11.5 billion of "tax welfare"—tax benefits from the use of tax loopholes—go to families making more than $100,000 a year. Nearly $19 billion of such tax welfare goes to families making more than $50,000 a year, and added billions go to the huge corporations.

I call these "tax welfare" payments, because the effect of these tax favors on the U.S. Treasury, on budget deficits and on the rest of the taxpayers is identical to the effect of handing direct welfare checks to these wealthy families and corporations. In either case, the recipients end up richer, the Treasury ends up poorer and the rest of the taxpayers have to make up the difference.

If Mr. Ehrlichman and his employer are really concerned about $15-billion of "over-spending," let them propose ending these billions of tax welfare for the rich. Once that's done we can all talk sensibly about personal deductions and exemptions.

Philip M. Stern is author of "The Rape of the Taxpayer."