In recent months President Barack Obama articulated a fairness principle known as the “Buffett Rule,” named after billionaire investor Warren Buffett, who disclosed that he pays a smaller percentage of his income in federal taxes than his secretary. The Buffett Rule holds that no millionaire should pay a lower effective tax rate than middle-class families.

On February 1, Sen. Sheldon Whitehouse (D-RI) introduced the Paying a Fair Share Act of 2012. The bill would turn the principle behind the Buffett Rule into a rule of the U.S. tax code, requiring that all households with incomes above $1 million pay at least a 30 percent minimum tax rate (with a phase-in for incomes between $1 million and $2 million).

Here are seven compelling reasons why we need a Buffett Rule.

1. The incomes of the top 1 percent have skyrocketed over the past three decades, nearly quadrupling and leaving middle-class incomes far behind. Rising inequality has meant that the very rich have captured an outsized share of the country’s economic gains.
2. During these same years, tax rates on millionaires dropped sharply as a result of the Bush tax cuts and successive rounds of tax cuts on investment income (capital gains and dividends).

![Overall federal income tax rates on millionaires, 1993-2009](chart.png)

Source: Internal Revenue Service, Publication 1304.

3. A large number of millionaires are now paying lower taxes than millions of middle-class Americans.

![Billionaire Warren Buffett pays a below-average tax rate](chart.png)


![ONE IN FOUR millionaires pay a below-average tax rate](chart.png)

Source: Congressional Research Service (combining income, payroll, and corporate taxes).
4. While many at the top continue to pay lower taxes than those below them on the income scale, the entire burden of deficit reduction falls on investments and services for the middle class.

The Budget Control Act, enacted in August 2011, includes:

- **$1 trillion** in cuts to government services and public investments ("discretionary" spending) over 10 years

- **$1.2 trillion** in additional across-the-board spending cuts, including defense and Medicare, starting in January 2013

- **$0** in additional revenues

5. The Buffett Rule would raise significant amounts of revenue to address our budget challenges, while affecting a tiny percentage of people who can easily afford it.

- **$73 billion:** Additional revenue that the United States would have collected per year over the last three years if millionaires merely paid an average tax rate of 30 percent.

- **0.1 percent:** Percentage of Americans that would pay more in taxes under the Buffett Rule.

- **2.2 percent:** Average tax increase for these millionaire households.

Source: Authors’ calculations from IRS data, Tax Policy Center tbl. T12-0024.

6. The Buffett Rule enjoys broad, bipartisan support.

7. And that’s because the rule would restore fundamental American values.

“Now, you can call this class warfare all you want. But asking a billionaire to pay at least as much as his secretary in taxes? Most Americans would call that common sense.” JAN. 24, 2012

“We’re going to close the unproductive tax loopholes that allow some of the truly wealthy to avoid paying their fair share. [These loopholes] sometimes made it possible for millionaires to pay nothing, while a bus driver was paying ten percent of his salary, and that’s crazy.” JUNE 6, 1985

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See also:
- Ronald Reagan, Father of the ‘Buffett Rule’ by Seth Hanlon and Michael Linden
- Issue Pulse: Support for the Buffett Rule
- Many Millionaires Do Enjoy Lower Tax Rates by Sarah Ayres