

PERSONAL TAXATION 101 EXPLAINED IN TERMS YOU WILL UNDERSTAND

TAXATION EXPLAINED IN SIMPLE TERMS A RESPONSE TO Dr. ROBERT HOWARD'S APRIL 6, 2021 ESSAY. AN EASY-TO-UNDERSTAND GUIDE TO CORPORATE INCOME TAXES AND THE BIDEN LIE By E.P. Unum April 8, 2021

Just as a follow up to the above excellent essay by Dr. Howard. Knowing how much all of you are excited to pay your taxes to help support our government and its spending habits, here is another explanation of our tax system that will help you understand the nuances of the U.S. Tax Code so that, when you complete your tax returns, you never have anything to fear from the I.R.S and can take comfort in knowing you have contributed your fair share to help fund various governmental programs that are, as we all know, intended to help you.

THE TAX SYSTEM EXPLAINED

Suppose that every day, ten men, all high school friends who have achieved various degrees of success in life and various levels of wealth from the poorest to the wealthiest, meet and play basketball each week. They then go out to drink beer and the bill for all ten comes to \$100...

If they paid their bill the way we pay our taxes, it would go something like this... The first four men (the poorest) would pay nothing. They have a zero-tax rate. This is important to remember! The fifth would pay \$1. The sixth would pay \$3. The seventh would pay \$7. The eighth would pay \$12. The ninth would pay \$18. The tenth man (the richest) would pay \$59. So, that's what they decided to do. The ten men played basketball and drank in the bar every week and seemed quite happy with the arrangement, until one day, the owner of the bar threw them a curve ball. *"Since you are all such good customers, I'm going to reduce the cost of your beer by \$20"*. Drinks for the ten men would now cost just \$80. Cheers for the bartender!

The group still wanted to pay their bill the way we pay our taxes. So the first four men were unaffected. They would still drink for free. But what about the other six men? How could they divide the \$20 windfall so that everyone would get his fair share?

They realized that \$20 divided by six is \$3.33. But if they subtracted that from every body's share, then the fifth man and the sixth man would each end up being paid to drink his beer. Lord knows we can't have that! WHAT TO DO????????? Once again, the bartender comes to the rescue!

So, the bar owner suggested that it would be fair to reduce each man's bill by a higher percentage the poorer he was, to follow the principle of the tax system they had been using, and he proceeded to work out the amounts he suggested that each should now pay. And So, the fifth man, like the first four, now paid nothing (100% saving). The sixth now paid \$2 instead of \$3 (33% saving). The seventh now paid \$5 instead of \$7 (28% saving). The eighth now paid \$9 instead of \$12 (25%

saving). The ninth now paid \$14 instead of \$18 (22% saving). The tenth now paid \$49 instead of \$59 (16% saving).

Each of the six was better off than before. And the first four continued to drink for free. But, once outside the bar, the men began to compare their savings.

Bernie Swindler, the sixth man said *"I only got a dollar out of the \$20 saving,"* He pointed to the tenth man, Warren Bigshot *"but he got \$10!"*

"Yeah, that's right," exclaimed the fifth man, Chuck E. Schlump. *"I only saved a dollar too. It's unfair that he got ten times more benefit than me!"*

"That's true!" shouted Dick Dumber, the seventh man. *"Why should he get \$10 back, when I got only \$2? Heck, he got 50% of the entire savings the good bartender passed along to us. Damn, the wealthy get all the breaks!"*

"Wait a minute," yelled the first four men in unison, Dewey, Cheatcha, and How and AOL.. *"we didn't get anything at all. This new tax system exploits the poor!"* (it almost sounds like these are all Democrats!) The nine men then surrounded Warren Bigshot the tenth man, beat him up, and drove him out of town!

Battered and beaten, Warren relocated overseas where he made new friends and still played basketball and drank beer with his new buddies. The next night, Warren the tenth man didn't show up for basketball or for drinks. So the nine men recruited a tenth man (of modest means just like them, a guy named Barry O' Bummer), played their weekly game, then sat down and had their beers without their old buddy. But when it came time to pay the bill, they discovered something important. They didn't have enough money between all of them for even half of the bill!

And that, boys and girls, journalists and government ministers, is how our tax system works. The people who already pay the highest taxes will naturally get the most benefit from a tax reduction. Tax them too much, attack them for being wealthy, and they just may not show up anymore. In fact, they might start drinking overseas, like our famous tenth man, where the atmosphere is somewhat friendlier. For those who understand, no explanation is needed.

For those who do not understand, or refuse to understand, no explanation is possible. They have ears, but do not hear. And that ladies & gentlemen concludes today's lesson on taxation and addresses all of the rumors and nonsense politicians throw at you, especially in an election year! Final lesson: stop worrying about what everyone else gets or does and keep your eyes focused on the positives not the negatives. Your life and your psyche will be much better off. And, most important, think for yourselves. Thank you, Dr. Howard, for providing the inspiration for me to present this follow up to your worthy essay. In truth, I have been using this piece without the name references, in my college accounting and finance classes for at least the past ten years.