

Forget Illegal Immigration, New Threat may be the Emigration of the Wealthy!

by Brian Mahany

We are bombarded with headlines about illegal immigration. Most illegal immigrants are the very poor seeking a few dollars and a better way of life. Opponents of immigration reform say that illegal aliens are a threat to our economy. The real threat to our economy and our way of life may be the emigration of the wealthy. That's right, emigration. The wealthy may soon be leaving.

Government statistics show that the 65% of federal income taxes collected in the U.S. comes from the top 10% of wage earners. In other words, the rich really do pay taxes. Although the U.S. has not had large tax increases for several years, information from England shows that in our new economy, now when taxes increase, the wealthy may simply leave.

All agree that the IRS and the Treasury Department have been cracking down on unreported offshore income and tax cheats. Although nearly everyone agrees that people living here should pay their fair share of taxes, the government may soon be pushing the envelope too far if those in Congress who call for massive tax increases have their way. Increase taxes too much and the highly wealthy may simply leave further increasing our budget woes.

England, which has recently raised income taxes and the capital gains tax, has seen an exodus of high net worth individuals. In an article published in the Daily Telegraph, statistics show that the wealthy are now leaving England. One could argue that some left because of the recession or problems getting jobs, but experts feel otherwise. Said one UK lawyer, "These figures go to show that high net worth taxpayers are highly mobile. The government can't just relentlessly increase taxes on them and expect them to keep their money in the country."

A London accounting manager, Richard Mannion, said, "The latter point illustrates the tightrope that the government is traversing with regard to extracting more tax from wealthier taxpayers. Many of these individuals are internationally mobile and although there are many attractions to living in the UK, the fact remains that there is lots of competition from other equally attractive countries, some with better weather."

The U.S. has not steadily increasing tax rates in recent years but that may soon change. The costs to fund President Obama's new health care initiatives and rein in our growing budget deficit have to come from somewhere. Either we cut spending or raise revenues. For many in Congress, the politically expedient solution is to increase taxes on the wealthy.

If that happens, will the U.S. see an exodus of wealthy taxpayers? It is not hard to envision. In today's global economy and mobile society, moving one's domicile to another country is not difficult and may already be cost effective for many.

There are no easy answers to our budgetary problems. Our leaders and policy makers must remember, however, that raise taxes too much and the few that pay taxes may simply leave.

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