

## TAX LETTER

### Our Income Tax system and the Reality

#### Dear Clients and Friends:

Our current President, Barrack Obama, is a self proclaimed agent of “change”. This means that Obama is to change everything, including our taxes. Without spelling out his tax policies in detail, at the very least, President Obama did make it clear that he considered the “Bush” tax policy is bad for the “poor” and only benefit the “rich”. He did announce in more than one occasion that he will increase the tax for the rich and the high earners. After some thinking, at a minimum, I would like to share with you the following story.

#### The Lunch Group

Once upon a time there was a lunch group, say ten good friends. They like to have lunch together almost every day. Initially, they all shared in by going “Dutch”. However, nothing is constant. After a while, for whatever reasons, things began to change and some of them getting richer and richer, some getting poorer and poorer. One day one of them suggested that they should let the rich to help the poor. It sounded good and a new paying schedule was designed and agreed upon between all ten of them. Their combine lunch bill usually came out to be about \$100.00. Therefore they agreed to chip in according to the following wealth standard:

Mr. A (the richest guy) will pay .....	\$ 46.00
Mr. B (the second richest guy) will pay .....	20.00
Mr. C (the third down the line) will pay .....	16.00
Mr. D (the not so rich, not so poor) will pay ....	10.00
Mr. E (the OK kind of guy) will pay .....	6.00
Mr. F (the barely make it guy) will pay .....	2.00
Messrs G, H, I and J, the poor ones will pay .....	Zero
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	\$100.00
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Since they always go to the same restaurant for lunch, the owner love to keep them as customers. Therefore, he told them that beginning immediately he will give them a 25% discount. As a result, their collective lunch bill will be \$75.00 per day instead of \$100.00. At the end of the lunch, they split the 25% discount according to their agreed upon payment schedule. This way, Messrs. G, H, I and J continue to have their lunches free (pay nothing), Mr. F will paid \$1.50 instead of \$2.00, Mr. E paid \$4.50 instead of \$6.00, and so on and so on.

After the lunch bill was settled, they began to think and saying it was not fair. Mr. F said that his saving from the \$25.00 discount was only 50 cents while Mr. A's saving was \$11.50 out of total \$25.00 discount. Mr. E also pointing finger at Mr. A and said that while he only got \$1.50 from the \$25.00 discount, Mr. A got \$11.50, the lion share.

Very soon, the 4 men (Messrs G, H, I and J) who never pay for their lunches together saying that they got nothing from the \$25.00 discount at all. They literally cried "murder" and proclaiming that the system exploited the poor.

Emotion got worst and worst, finally the situation got out of control. They together beat up Mr. A badly.

The next day, Mr. A did not show up for the lunch, so the remaining nine men sat down and have their lunch as always. When the bill came, they suddenly realized that they have to come up with a lot more money to cover the amount usually paid for by Mr. A.

### **Like It or Not**

That's how our income tax system works. The person paid the highest income tax, accordingly, benefited the most from any tax deductions or reductions. Tax them too much, or worst, attached them for being rich or successful, they just may not show up at all. In fact, they may start moving overseas where the atmosphere could be somewhat better and friendlier. Please think about it, President Obama !

If you like to discuss this story further, please give us a call at 415-381-0681, or give us your e-mail at: [chochan\\_taxletter@yahoo.com](mailto:chochan_taxletter@yahoo.com).

Sincerely,

Cho F. Chan CPA, Inc.