Taxation

Taxation System Taxation System The American taxation system is remarkably complex with some taxes being progressive while others remain regressive. In addition, individual must comply with the federal, states, and local taxes. In the views of Warren Buffett, his receptionist was paying about 30% tax, which was higher than what he was paying. Buffett approximated that he was paying 17. 7% federal taxes. According to his calculation, the American taxation system has proven to be highly regressive. A progressive tax implies that the percentage tax an individual pays increase with income rates. Therefore, progressive taxation means that the rich pay more taxes compared to those earning minimal wages. On the other hand, regressive tax compels the poor to pay a higher percentage of their income compared to the rich. Buffett's views are not in isolation because the American taxation system has been criticized as being regressive (Mikesell, 2014).

It is possible that Buffett made his claims based on mistaken calculations. A close analysis of the basic federal taxation principles reveals that it is impossible for his receptionist to be paying a higher percentage of tax. Warren Buffett has a higher total taxable income compared to his receptionist. Evidently, the tax he is supposed to pay represents only a small percentage of his income. On the other hand, his receptionist and other workers who have a lower total taxable income face the compulsion of paying a higher fraction of their income as tax. In addition, it is possible that Buffett took into account the employer-paid payroll taxes that his receptionist does not pay. The inclusion of such taxes made his receptionist seem to be paying a higher percentage. Therefore, the federal taxation system is not regressive. Unfortunately, Warren Buffett's claims do not have any substantial evidence (p. 436).

Reference

Mikesell, J. L. (2014). Fiscal administration: Analysis and applications for the public sector. Australia: Wadsworth Cengage Learning.