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The Wealth Tax on Billionaires and Millionaires with \$10,000,000 Net Worth or Above

My wealth tax proposal includes parts of “A Plan to Fix our Infrastructure, Eliminate our Fiscal Deficit, Lower the National Debt, Tax the Billionaires and Millionaires Much Higher to Fund the Plan” sent on October 17, 2017 to various members of Congress including the members of the House Ways and Means Committee, the House Appropriations Committee, the House Budget Committee, as well as similar committees in the Senate and the leaders of both the Senate and the House. It was also sent to various members and associates of the Brooking Institution, the Urban Institute, the Heritage Foundation, the Cato Institute, the Center for Strategic and International Studies, among others. That proposal projected \$12,158,509,003,452 in income tax revenues from tax years 2017 through 2020.

My “The Wealth Tax on Billionaires and Millionaires with \$10,000,000 of Net Worth or above” creates a tax revenue uptick, which helps fund the government plus recover the funds spent to repair damages caused by Harvey (Texas), Irma, and Maria (Puerto Rico and the U.S. Virgin Islands) and to eventually eliminate the Budget Deficit and make inroads into reducing the National Debt. There is merely one axiom to remember:

If you have substantial tax revenues, you are able to make substantial spending on areas such as infrastructure, schools, the military, the VA, our highways and our airports, our public transportation system, Social Security and Medicare/Medicaid, our inner cities, our national security apparatus, federal, state and local police and security providers, our healthcare system, excessive college tuition costs and the broken student loan systems, which leaves students overwhelmed by debt repayments 10-15 years after they graduate, forcing them to have two or three jobs and live at home. You are no longer faced with the question when you will leave the nest, in prior generations usually after college, but how many years must I live at home with an unhealthy mixture, in most cases, of grandparents, parents, and college educated children with

good jobs, but not enough cash to “flee the coop”. Student loan debt is causing stress and depression for those who will be our country’s leaders in 10 to 20 years.

In Chart B: Billionaires, there are individuals with net worth between \$2,100,000,000 and \$1,000,000,000 who did not make the Forbes 400, but are still billionaires. To calculate the income tax of an individual, and the total number of individuals in a bracket (there are 13 brackets, 12 are Forbes 400 and bracket 13 are persons who are billionaires, but who did not make the Forbes 400), you do the following:

1. Identify individual and net worth:
Warren Buffett: #3 on Forbes 400 \$80,800,000,000

2. Go to Chart B (Billionaires) and identify the following:
 - a. Bracket: 1 \$80,000,000,000 - \$120,000,000,000
 - b. Mean of Bracket: 100 (\$100,000,000,000)
 - c. Number of people in Bracket: 3
 - d. Income, 15% of Mean: \$15,000,000,000
 - e. Tax Rate: 50%
 - f. Tax on individual \$7,500,000,000
 - g. Total tax in Bracket 1: \$22,500,000,000

This is demonstrated by the makeup of Bracket 1 in Chart B: Billionaires on page 6-7. The same calculations apply to the Millionaires \$10,000,000 or above shown in Chart M: Millionaires (M). The Millionaires Chart has 14 brackets. Individuals with net worth \$10,000,000 and below will be taxed by the Tax Code, rules and regulations in force for all tax years, 2017 and before.

The individuals with Net Worth \$10,000,000 and Below are accepted as hard to deal with because this area has so many variables – persons with high Net Worth, low income; the reverse – low Net Worth, high income. Inasmuch as actual figures are unavailable, we have to assume that the \$10,000,000 and below pool includes a large number of “S” Corporations, revocable trusts, small family businesses and farms, Kiddy trusts, and retirees whose wealth comes from a succession of real estate purchases at low values from 1960- 2017, unexpected real estate appreciation (i.e., Los Angeles), or in many cases in investment income in value of stock portfolios

Bear in mind the tax plan described in this article does not do away with the present payment of the 6.2% and the 1.45% for Social Security and Medicare. These programs and Medicaid, to the extent necessary, will be protected by the massive income tax revenues derived from the tax assessed in higher amounts on a percentage of net worth of the Billionaires and Millionaires.

This is a system which both the Democrats and the Republicans can review, compromise on, and pass. It is an easier one to deal with, without spending hundreds of unproductive hours and days debating the deductibility of state and local taxes, charitable deductions, interest paid on mortgages, interest paid on other investments, legal and advisory fees for investment, filing status and thresholds, standard deductions, tax tables, status of dependents, exemptions, itemized deductions, loss carrybacks and loss carryforwards, tax credits, etc., all of which are irrelevant to the system I propose, except for individuals \$10,000,000 and below Net Worth.

We should tax the Billionaires and Millionaires at higher rates to generate more revenue to rebuild our infrastructure. *Don't let Trump's Tax Cuts and Jobs Act fool you.* Those who can pay more should pay more. After all, one less Van Gogh because you pay higher taxes – so what! The Millionaires are the special group to hit as the Billionaires are too small a group unless we wish to be confiscatory – which we don't.

Analysis of the 400 billionaires in Forbes 400 2016 and 2017, and 2017 and 2018, and 2018 and 2019 indicates that over 50% of the billionaires continue to get richer, year by year, and leads me to conclude that I could draw the same conclusion for the Millionaires. This conclusion is also due to an internal study using Internet data in which I targeted people whom I knew who went to one of the top 20 boarding schools in the country – Episcopal High School, Alexandria, Virginia, and/or the University of Virginia, Charlottesville, Virginia – the first generation was rich, the second generation is richer, and the third generation is even richer, wealth grows wealth in most cases, especially in the Billionaire and Millionaire classes. This conclusion should be even more evident when we build in, for example, schools like Phillips Exeter, Choate-Rosemary Hall, Phillips Academy, Lawrenceville, and universities such as Harvard, Yale, Stanford, MIT, Columbia, Carnegie Mellon, University of Chicago, and Princeton.

In as much as we still have a category \$10,000,000 and below subject to the Tax Code in force for tax year 2017 and before for income, corporate, and estate and gift tax purposes, we will need to make certain changes in the income tax law and the estate and gift tax law which, in some cases, were positive in the Trump Tax Cuts and Jobs Tax Act, plus other changes not included:

a. Positives in the Trump Legislation:

1. Standard Deduction is \$24,000 (married couple)
2. Estates for individuals are exempted for individuals \$11.2 and for married couples \$22.4, but the expiration date of 2025 is eliminated.

b. Tax Abuses to be Eliminated in the Wealth Tax on Billionaires and Millionaires with \$10,000,000 of net worth or above, and excluded in the Trump Tax Act's income, corporate, and estate and gift tax areas:

1. The carried interest deduction, a capital gains loophole which benefits Hedge Funds;
2. The GRATs (Grantor Retained Annuity Trust) which has especially benefitted the Billionaires to reduce or eliminate their Estate Tax – the Walton family is a major beneficiary;
3. The Jackie O Trusts – also a Walton ploy;
4. The corporate inversion loopholes.

We will also need to include punitive fines and penalties for misstatements in a Certificate of Net Worth form, showing tax payable on aggregate value of assets minus liabilities. As for the \$10,000,000 and below individual taxpayers, the Tax Code and laws in place as December 31, 2017, including its tax fines and penalties, apply for both income, corporate, and estate and gift tax purposes.

For the tax years 2019 – 2022, the difference in estimated tax revenues collected is very encouraging:

1. Summary-Individual Income Tax Estimates 2017-2020 (Tax Code in force as of 12/31/2017)

| Individual Income Tax estimate 6% increase per year | Tax years 2017, 2018, 2019, 2020 |
|---|----------------------------------|
| Individual income tax estimate for 2017 | \$1,770,347,000,000 |
| Individual income tax estimate for 2018 | \$1,886,884,000,000 |
| Individual income tax estimate for 2019 | \$1,999,800,000,000 |
| Individual income tax estimate for 2020 | \$ 2,118,406,000,000 |
| 2017-2020 Total | \$7,775,437,000,000 |

© Amount of Revenue by Source 2/3/15. Urban Institute, Brookings Institution.

2. Summary – Individual Income Tax Estimates Billionaires and Millionaires Tax Act (BMTA) 2017 – 2020

| Individual Income Tax estimates 6% increase per year | Tax years 2017, 2018, 2019, 2020 |
|--|----------------------------------|
| BMTA (2017) | \$2,779,331,718,133 |
| BMTA (2018) | \$2,946,091,621,221 |
| BMTA (2019) | \$2,651,055,000,000 |
| BMTA (2020) | \$2,810,118,300,000 |
| 2017-2020 Total | \$11,186,595,639,654 |

My BMTA, Billionaires and Millionaires Tax Act, approach for years 2017 – 2020 gives the government \$3,411,159,939,654 more individual tax revenues over a 4-year period than the Brookings Institution estimate. The BMTA (2017) is based on the Forbes 400 November 2017, and the BMTA (2019) is based on the Forbes 400 October 31, 2019.

3. Summary – Individual Income Tax Estimates (BMTA)

| Individual Income Tax estimates 6% increase per year | Tax years 2019, 2020, 2021, 2022 |
|--|----------------------------------|
| BMTA (2019) | \$2,651,055,000,000 |
| BMTA (2020) | \$2,810,118,300,000 |
| BMTA (2021) | \$2,978,725,398,000 |
| BMTA (2022) | \$3,157,448,922,000 |
| 2019 - 2022 Total | \$11,597,347,620,000 |

Note: The Urban Institute, Brookings Institution individual income tax estimate for 2019 is \$1,999,800,000.

These estimates do not include individual income taxes for those with Net Worth \$10,000,000 and below which will be governed by the provisions of the Tax Code in force as of 12/31/2017. The original Tax Code was replaced by The Tax Cuts and Jobs Act of 2017, to be repealed retroactively as of 1/1/2018. These taxes could be between \$80,000,000 - \$100,000,000 per year. The provisions are included in “The Wealth Tax on Billionaires and Millionaires with \$10,000,000 of Net Wealth or above.”

Chart B: Billionaires(B)

| | Bracket (\$ Net Worth) | Mean-B | # of people | Income 15% of Mean | Tax Rate- % | Tax on Individual (\$) | Total tax (\$) on Number of People in Bracket |
|---|---------------------------------|---------------|--------------------|---------------------------|--------------------|-------------------------------|--|
| 1 | 80,000,000,000- 120,000,000,000 | 100 | 3 | 15,000,000,000 | 50 | 7,500,000,000 | 22,500,000,000 |
| 2 | 50,000,000,000- 80,000,000,000 | 65 | 9 | 9,750,000,000 | 49 | 4,777,500,000 | 42,997,500,000 |
| 3 | 40,000,000,000- 50,000,000,000 | 45 | 2 | 6,750,000,000 | 48 | 3,240,000,000 | 6,480,000,000 |
| 4 | 35,000,000,000- 40,000,000,000 | 37.5 | 2 | 5,625,000,000 | 47 | 2,643,750,000 | 5,287,500,000 |
| 5 | 30,000,000,000- 35,000,000,000 | 32.5 | 2 | 4,875,000,000 | 46 | 2,242,500,000 | 4,485,000,000 |
| 6 | 25,000,000,000- 30,000,000,000 | 27.5 | 2 | 4,125,000,000 | 45 | 1,856,250,000 | 3,712,500,000 |
| 7 | 20,000,000,000- 25,000,000,000 | 22.5 | 2 | 3,375,000,000 | 44 | 1,485,000,000 | 2,270,000,000 |
| | | | | | | | |
| | | | | | | | |

| | Bracket (\$ Net Worth) | Mean-B | # of people | Income 15% of Mean | Tax Rate- % | Tax on Individual (\$) | Total tax (\$) on Number of People in Bracket |
|----|--------------------------------|---------------|---------------------------------|---------------------------|--------------------|-------------------------------|--|
| 8 | 15,000,000,000- 20,000,000,000 | 17.5 | 10 | 2,625,000,000 | 43 | 1,128,750,000 | 11,287,500,000 |
| 9 | 10,000,000,000- 15,000,000,000 | 12.5 | 15 | 1,875,000,000 | 42 | 787,500,000 | 11,812,500,000 |
| 10 | 5,000,000,000- 10,000,000,000 | 7.5 | 92 | 1,125,000,000 | 41 | 461,250,000 | 42,435,000,000 |
| 11 | 3,000,000,000- 5,000,000,000 | 4 | 156 | 600,000,000 | 40 | 240,000,000 | 37,440,000,000 |
| 12 | 2,100,000,000-3,000,000,000 | 2.45 | 105 | 367,500,000 | 39 | 143,325,000 | 15,049,000,000 |
| 13 | 1,000,000,000- 2,100,000,000 | .55 | 221 | 82,500,000 | 38 | 31,350,000 | 69,283,500,000 |
| | | TOTAL | 400 <u>221</u> <u>621</u> | | | | Sum Total Taxes <u>\$ 275,040,007,000</u> [621] |

Forbes 400 Billionaires October 31, 2019. This 400 ends at bracket 12. There are additional individuals who are Billionaires shown in bracket 13, a total of 221. According to the U.S. population by month, multp.com, the population was 329,657,494 as of 10/1/2019. U.N. Department of Economics and Social Affairs. The 621 total is .000,001,884% of the U.S. population, not 1%, not 1/10 of 1%, but even a more miniscule %.

Chart M: Millionaires (M)

| | Bracket (\$ Net Worth) | Mean- M | # of people | Income 10% of Mean | Tax Rate - % | Tax on Individual (\$) | Total tax (\$) on Number of People in Bracket |
|---|-------------------------------|----------------|--------------------|---------------------------|---------------------|-------------------------------|--|
| 1 | 900,000,000 – 1,000,000,000 | 950 | 3000 | 95,000,000 | 50 | 47,500,000 | 142,500,000,000 |
| 2 | 800,000,000- 900,000,000 | 850 | 6000 | 85,000,000 | 49 | 41,650,000 | 249,900,000,000 |
| 3 | 700,000,000- 800,000,000 | 750 | 9000 | 75,000,000 | 48 | 36,000,000 | 324,000,000,000 |
| 4 | 600,000,000- 700,000,000 | 650 | 12,000 | 65,000,000 | 47 | 30,550,000 | 366,600,000,000 |
| 5 | 500,000,000- 600,000,000 | 550 | 15,000 | 55,000,000 | 46 | 25,300,000 | 379,500,000,000 |
| 6 | 400,000,000- 500,000,000 | 450 | 18,000 | 45,000,000 | 45 | 20,250,000 | 364,500,000,000 |
| 7 | 300,000,000- 400,000,000 | 350 | 18,000 | 35,000,000 | 44 | 15,400,000 | 277,200,000,000 |
| 8 | 200,000,000- 300,000,000 | 250 | 18,000 | 25,000,000 | 43 | 10,750,000 | 193,500,000,000 |
| | | | | | | | |

| | Bracket (\$ Net Worth) | Mean- M | # of people | Income 10% of Mean | Tax Rate - % | Tax on Individual (\$) | Total tax (\$) on Number of People in Bracket |
|----|-------------------------------|----------------|-----------------------|---------------------------|---------------------|-------------------------------|--|
| 9 | 100,000,000- 200,000,000 | 150 | 21,000 | 15,000,000 | 42 | 6,300,000 | 132,300,000,000 |
| 10 | 50,000,000- 100,000,000 | 75 | 24,000 | 7,500,000 | 41 | 3,075,000 | 73,800,000,000 |
| 11 | 40,000,000- 50,000,000 | 45 | 27,000 | 4,500,000 | 40 | 1,800,000 | 48,600,000,000 |
| 12 | 30,000,000- 40,000,000 | 35 | 27,000 | 3,500,000 | 39 | 1,365,000 | 36,855,000,000 |
| 13 | 20,000,000- 30,000,000 | 25 | 30,000 | 2,500,000 | 38 | 950,000 | 28,500,000,000 |
| 14 | 10,000,000- 20,000,000 | 15 | 60,000 | 1,500,000 | 37 | 555,000 | 33,300,000,000 |
| | TOTAL | | <u>288,000</u> | | | | Sum Total Taxes 2,651,055,000,000 |

The number of people in each bracket is an estimate made by the author based on his presumptions of the number of people who might be in the various brackets. The total number of persons of \$10,000,000 and above is 288,000. 288,000 is .000,085% of a population of 329,657,494.

A major key to the uptick in tax revenues is the Certificate of Net Worth which must be done correctly, declaring at FMV all assets and liabilities under the penalty of perjury (taxpayer and CPA who has compiled the Certificate). Perjury is not a deterrent. We must build into **The Wealth Tax on Billionaires and Millionaires with \$10,000,000 of Net Worth or above**, draconian penalties for the non-declaration and under valuation of assets and/or the overstatement of liabilities.

To finalize this article, I provide for you an example of the Certificate of Net Worth of a Billionaire #34 in the Forbes 400 October 31, 2019, and an example of a tax return.

Certificate of Net Worth – 12/31/2019

(Will be done for years ending 12/31/2019, 2020, 2021, 2022 and thereafter).

I, Abigail Johnson, hereby declare under penalties of perjury that I have read and examined this Certificate and to the best of my knowledge and belief, the Certificate is true, correct and complete. The preparer (other than taxpayer) of this Certificate declares that the certificate is true, correct and complete and that taxpayer has provided the value of assets and liabilities, both U.S. situs and foreign situs, of which the preparer has any knowledge.

Net Worth Calculation (\$14.0 Billion)

| <u>Assets</u> | | <u>Liabilities</u> |
|-------------------------------------|-----------------|----------------------|
| ¼ Ownership of Fidelity Investments | \$6,985,000,000 | Mortgage \$5,000,000 |
| Stock Portfolio | \$6,985,000,000 | |
| Automobiles (6) | \$500,000 | |
| Houses (4) | \$23,000,000 | |
| Jewelry | \$1,000,000 | |
| House Furnishings | \$1,000,000 | |
| Clothing | \$500,000 | |
| Antiques | \$2,000,000 | |
| Paintings | \$5,000,000 | |
| Cash | \$2,000,000 | |

Net Worth \$14,000,000,000 (as of 12/31/2019)

Net worth of individual person: \$14,000,000,000 as of 12/31/2019.

Name: Abigail Johnson.

Date: 12/31/2019.

TIN: _____.

Preparer name: _____ . Date: 12/31/2019.

Preparer TIN: _____.

Preparer Firm: PricewaterhouseCoopers.

Preparer Firm Address: _____.

Preparer Firm TIN: _____.

Preparer Firm Telephone : _____.

Notary Seal

Taxpayer Signature

Preparer Signature

Notary Signature

The Wealth Tax on Billionaires and Millionaires with \$10,000,000 of Net Worth or above Tax Return:

Billionaires and Millionaires Tax Act (BMTA) Tax Return

BMTA Department of the Treasury—Internal Revenue Service (99) **2019** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2017, or other tax year beginning _____, 2017, ending _____, 20____

Your first name and initial _____ Last name _____ See separate instructions.
Your social security number _____

Spouse's first name and initial _____ Last name _____ Spouse's social security number _____

Home address (number and street). If you have a P.O. box, see instructions. _____ Apt. no. _____ ▲ Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____ Presidential Election Campaign
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse

Filing Status An individual: A single human being regardless of age, marital status, or gender. If the individual is married to another individual, tax is paid in regard to that calculated for only one of those individuals in their Bracket.

Tax Calculation

| | | |
|----|---|---------------------|
| 1. | Net Worth (Certificate of Net Worth attached) | \$14,000,000,000 |
| 2. | Tax Bracket | \$10 Bil - \$15 Bil |
| 3. | Mean | \$12,500,000,000 |
| 4. | .15 of Mean | \$1,875,000,000 |
| 5. | Tax Rate | 42% |
| 6. | Tax (Individual) | \$787,500,000 |
| 7. | Tax Refund (Individual) (For tax year 2017 only). Subtract amount of tax in Line 6 from estimated 2017 income tax payments. If the result is \$ positive, fill in the \$ amount in the block to the right of this block. If the amount is negative or \$0, enter \$0. | |

Third Party Designee Do you want to allow another person to discuss this return with the IRS? Yes. Complete below. No

Designee's name _____ Phone no. _____ Personal identification number (PIN) _____

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature _____ Date _____ Your occupation _____ Daytime phone number _____

Paid Preparer Use Only Print/Type preparer's name _____ Preparer's signature _____ Date _____ If the IRS sent you an Identity Protection PIN, enter it here (see inst.) _____ PTIN _____

Firm's name _____ Check if self-employed Firm's EIN _____

Firm's address _____ Phone no. _____

Annex A
November 17, 2017 Memorandum

I have not included the entire text of a summary of my November 17, 2017 Tax Plan in this Annex A due to its length. It is an extensive summary of my November 17, 2017 memorandum and covers most of the matters contained in the November 17, 2017 memorandum which was sent to you. If you wish to see the summary in order to compare it with the text of my December 2, 2019 memorandum, please contact me by email, and I will send it to you.

Annex B

Methodology

METHODOLOGY

This is the 38th edition of the flagship Forbes 400 list. Though we've been at it a long time, our reporters always dig deep to uncover new details. This year we started with a list of more than 700 candidates and got to work.

When possible, we met with Forbes 400 members and candidates in person or spoke with them by phone. We also interviewed their employees, handlers, rivals, peers and attorneys. Uncovering their fortunes required us to pore over thousands of SEC documents, court records, probate records and news articles. We took into account all types of assets: stakes in public and private companies, real estate, art, yachts, planes, ranches, vineyards, jewelry, car collections and more. We factored in debt and charitable giving. While some billionaires provided documentation for their private assets and companies, others were less forthcoming. To value private businesses, we couple revenue or profit estimates with prevailing price-to-sales or price-to-earnings ratios for similar public companies and apply a 10% discount, or more in cases where information is scarce.

We purposely excluded dispersed family fortunes, but we did include wealth belonging to a member's immediate family if the wealth could be traced to a living founder of the fortune. In that case you'll see "& family." We also include married couples who built fortunes and businesses together if their combined net worth was enough for each person to make the \$2.1 billion cutoff. In those instances, we list both names. Besides wealth, we also ranked each member based on their generosity and self-made prowess.

Philanthropy score: First, we estimated each billionaire's total lifetime giving, delving into public filings, tax forms, press reports and more. Next we looked at what percentage of their wealth they had given away. We weighed these two factors equally and scored people accordingly. Some individuals were then bumped up or down based on several other factors, including whether they had signed the Giving Pledge, whether they had pledged significant donations, how personally involved they were in their charitable giving, and how quickly and effectively their private foundations distributed dollars.

We didn't count pledges or announced gifts that have yet to be paid out. Some billionaires worked with *Forbes*; others refused to cooperate, citing privacy concerns and/or religious beliefs. List members about whom we could find no charitable giving information received an N.A. (not available). Some of our lifetime-giving estimates may be low due to a lack of transparency and anonymous gifts. For a complete methodology of each philanthropy score, please visit www.forbes.com/philanthropy-score.

Self-made score: The list members are also ranked on a scale of 1 to 10 to acknowledge that some individuals have traveled further in their life's journey to make it into the ranks and to capture how self-made they really are. A 10 is reserved for people who not only grew up poor but overcame significant obstacles in their climb to the top, such as Oprah Winfrey, who was born to a single teen mother and survived sexual abuse as a child. People like Mark Zuckerberg and Bill Gates who came from middle or upper-middle class families rank as 8s, while someone who completely inherited their fortune and has done nothing much with it ranks as a 1. For a full explanation of each self-made score, please go to www.forbes.com/self-made-score.

The Forbes 400 is a list of American citizens who own assets in the U.S. Our estimates are a snapshot of each member's wealth as of September 6, 2019; we used closing stock prices and currency exchange rates from that day. Some of The Forbes 400 will get richer or poorer within weeks or even days of publication. We track those changes online in our Real Time rankings at www.forbes.com/real-time-billionaires.

OCTOBER 31, 2019

FORBES.COM

The above is the Forbes methodology used to identify and rank the Forbes 400 Billionaires presented on page 181 of Forbes Magazine, "The Forbes 400 Richest People in America" October 31, 2019.

My problem with this methodology is the sentence which starts the last paragraph: "The Forbes 400 is a list of American citizens who own assets in the U.S." This sentence begs the issue whether the Billionaires' Net Worth excludes any non-U.S. assets (assets with situs abroad – a chateau on the coast of France). This would lead me to believe that the Forbes 400 is much richer than indicated. However, the 400 would be very reluctant to continue their cooperation with Forbes if the question of non-U.S. assets, shell companies with nominee directors and officers, and bearer shares, which information is known only by an offshore management company in a tax haven - Monaco, Panama, British Virgin Islands, Barbados, Bermuda, etc.

Moreover, the exclusion of resident aliens begs the issue. Inasmuch as a resident alien – long term residents – permanent residents or green card holders with a lawful permanent residence in the United States in at least eight taxable years during the period of 15 taxable years is subject to the expatriation tax, which applies to U.S. citizens who renounce their U.S. citizenship. They are subject to the same tax rules as the U.S. citizens, so we would want to know why many of these “long term residents” were not included in the Forbes 400. Information on foreign assets of U.S. citizens and long-term resident aliens would be hard to discover, but it would be a treasure trove to actually find out who the Forbes 400 really are. An instance of this revelation was the scandal which ripped the Panama law firm, Mossack, Fonseca, which for decades had aided its clients to avoid public scrutiny of these offshore assets. 11.5 million documents of the firm’s most sensitive files were copied and leaked to the public. Many public figures and wealthy individuals were revealed to the public as clients in the “offshore, hide my assets” system.

An **expatriation tax** or **emigration tax** is a tax on persons who cease to be tax resident in a country. This often takes the form of a capital gains tax against unrealized gain attributable to the period in which the taxpayer was a tax resident of the country in question. In most cases, expatriation tax is assessed upon change of domicile or habitual residence to outside the United States. The tax is applied upon relinquishment of American citizenship, on top of all taxes previously paid. It also applies to those who cancel their green card.

The above creates hurdles for a possible emigrant; however, the offshore assets are a major concern since they will be hard to find or to identify the owner of the bearer shares of the offshore company holding the assets.

Annex C
Forbes 400

Another axiom to remember is that if you are wealthy, in most cases, you will year by year become wealthier.

| | | |
|-------------------|------------------------------------|-------------------|
| 1. Jeff Bezos | 2016 (first year on Forbes 400) #5 | \$45,200,000,000 |
| | 2019 (before divorce) #1 | \$150,100,000,000 |
| | 2019 (after divorce) #1 | \$114,000,000,000 |
| 2. Bill Gates | 2000 (#1) | \$60,000,000,000 |
| | 2019 (#2) | \$96,500,000,000 |
| 3. Warren Buffett | 2000 (#4) | \$25,600,000,000 |
| | 2019 (#3) | \$82,500,000,000 |

If we were to add back to the net worth of Bill Gates (\$45.5 billion in charitable contributions since 1999) and Warren Buffett (\pm \$45 billion in charitable contributions since 1994), they would be Numbers 1 and 2 on the Forbes 400 and Bezos, a small contributor number 3. Bezos appears to have made \pm \$3-9 Billion of charitable contributions from 1997 to 2019. However, some of these were pledges, not the direct payment of the contribution. This analysis of their contributions does not even take into consideration the Time Value of Money.

There were 470 billionaires in the world in 2000 and 2153 in 2019. These numbers come from the World's Billionaires (Wikipedia) and vary somewhat from the Forbes 400 (\pm 2-9%).

Annex D

Why the Numbers Prove the Wealth Tax is Not Confiscatory

The first argument in Congress and in the public arena about the Wealth Tax is that it is confiscatory. This reaction will come from the Billionaires and Millionaires with Net Worth \$10,000,00 and above, their employees and the members of the House and Senate which they have bribed by campaign contributions to do their bidding. This reaction will also come from those members of the public who are convinced by their Congressmen that the Wealth Tax is a bad idea, even though almost all of them fall into the category \$10,000,00 and below, which will be governed by the Tax Code in effect for tax years 2017 and before, but with an enlarged standard deduction of \$26,000.

A second argument will come from the public. Why should we give those idiots in Congress almost double the tax revenues expected for each tax year 2018-2022 and thereafter since they have proven that they are unable to create a budget allocating tax revenues to the proper needs due to their ties to their contributors and their constituents who have been promised many “golden” geese.

A third argument is that charitable contributions will dry up. This will not necessarily be the case. Those who are committed to donate funds for a specific project will probably do so, and those who have made the charitable contribution pledge to donate at least half of their estate to charitable causes will continue to follow through with this pledge (the “Giving Pledge”). Those who have made only small donations will do the same under pressure to appear to be “charitable”, and others who don’t give a damn, will just not donate any of their wealth to anyone or any cause or foundation.

The Numbers Show the Details

I assume that both Net Worth and Income from Net Worth rise or fall $\pm 5\%$ a year. There will be years in which these % are greater than 5%, and years of economic recession in which the Net Worth can decrease greater than 5%. We assume that in these years income can remain between 0% and 5% depending on whether individual has substantial income earning assets in his/her Net Worth (stocks, bonds, mutual funds, credit instruments such as promissory notes and T-bills).

(1) Individual in Bracket 10 of Millionaires (M) (\$50,000,000 - \$100,000,000)

| | | | |
|---------------------------|------------------|------------|-------------|
| Net Worth | \$60,000,000 | (1/1/19) | |
| 5% Increase in Net Worth | <u>3,000,000</u> | | |
| Net Worth | \$63,000,000 | (12/31/19) | |
| 5% Income (Cash) | | | \$3,000,000 |
| Income Tax for Bracket 10 | | | \$3,075,000 |

| | | | |
|----------------|------------------|-------------------------------------|--|
| Individual has | \$3,000,000 | Increase in Net Worth | |
| Individual has | <u>3,000,000</u> | Income (Cash) | |
| | 6,000,000 | | |
| | <u>3,000,000</u> | Tax Covered by 5% Income (Cash) | |
| | \$ 75,000 | Cash Needed to Complete Tax Payment | |

| | | | |
|--------------------|------------------|--|--|
| Individual has | (\$3,000,000) | Decrease in Net Worth | |
| Net Worth 12/31/19 | 57,000,000 | | |
| 5% Income (Cash) | 3,000,000 | | |
| Tax | <u>3,075,000</u> | | |
| | \$ 75,000 | Cash Needed to Complete Tax Payment, even with a 5% Decrease in Net Worth | |

(2) Individual in Bracket 10 (\$50,000,000 - \$100,000,000)

| | | | |
|---------------------------|------------------|---------------------------------|--|
| Net Worth | \$90,000,000 | (1/1/19) | |
| 5% Increase in Net Worth | <u>4,500,000</u> | | |
| Net Worth | \$94,500,000 | (12/31/19) | |
| 5% Income (Cash) | \$4,500,000 | | |
| Income Tax for Bracket 10 | \$3,075,000 | Tax covered by 5% Income (Cash) | |

| | | | |
|--------------------|------------------|---------------------------------|--|
| Individual has | (\$4,500,000) | Decrease in Net Worth | |
| Individual has | 4,500,000 | Income (Cash) | |
| | <u>3,075,000</u> | Tax Covered by 5% Income (Cash) | |
| Net Worth 12/31/19 | 85,500,000 | | |

The key here is available cash (cash in hand) or easily liquidated assets –securities, bonds, mutual funds. The \$4,500,000 in income (cash) compared to tax of \$3,075,000 (cash) indicates individual receives \$4,500,000 in cash and pays \$3,075,000 tax in cash; he is \$1,425,000 ahead in cash even with a 5% loss in Net Worth.

The calculations for the Billionaires operate the same as the Millionaires. Available cash (cash in hand) or easily liquidated assets –securities, bonds, mutual funds is the key. It is possible to start in one bracket on 1/1/19 and end up in another at 12/31/19. This may, up or down, change the tax due, depending whether you go up or down from bracket to bracket.

Individual Charles Koch Number 13 in the Forbes 400 in Bracket 3: Net Worth \$41,000,000,000
Bracket 3 is \$40,000,000,000 to \$50,000,000,000.

| | |
|--------------------------|-----------------|
| 5% Increase in Net Worth | \$2,050,000,000 |
| 5% Income (Cash) | \$2,050,000,000 |
| Tax Due | \$3,240,000,000 |

Out of pocket payment of tax includes a shortfall in cash in the amount of \$1,190,000,000.

Koch will have to liquidate \$1,190,000,000 of the Net Worth of \$43,050,000,000 to complete the payment of the tax of \$3,240,000,000 (cash).

Note: In regard to \$41,000,000,000, if there were a decrease of 5% in Net Worth, but income of 5%, the Net Worth at 12/31/19 is \$38,950,000,000. Net Worth calculated on 12/31/18 was \$41,000,000,000 (12/31/18), but the tax has slipped from Bracket Number 3 (\$41,000,000,000), tax \$3,240,000,000, to Bracket Number 4 (\$38,950,000,000), tax \$2,643,750,000.

The earnings calculation is 5% of \$41,000,000,000 = \$2,050,000,000. The tax is \$2,643,750,000; because Koch has slipped from Bracket Number 3 to Bracket Number 4, the shortfall in cash is only \$593,750,000, which must be raised from an asset liquidation in that amount. If this is regarded as a very confiscatory year, bear in mind Koch has a paper loss of \$2,050,000,000 (no decrease in cash value of Net Worth, and an additional cash loss of **\$593,750,000** / \$38,950,000,000. This is an actual cash loss of .015,244% of Net Worth. Everything else is either made up by the 5% in income, leading to a just below flat year. The Millionaires and Billionaires, like all of us, have ups and downs in Net Worth, but it appears that in most years a tax on wealth would hit them with flat years, and not in any way be confiscatory. Jeff Bezos’s divorce payment was \$36.1 billion. That appears to be confiscatory, but everything is in the “eyes of the beholder.”

The conclusion from all the above is that due to the 5% in income, any tax due for which cash must be raised from sale of assets may be large, but livable, and not confiscatory.