



WASATCH

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**“My investing club has been meeting for four years.
So far we’ve invested \$500 in stocks, \$100
in bonds and \$3000 in coffee and cake.”**

AUGUST 2021

INSIDE THIS NEWSLETTER

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THE TAX MAN**
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The Tax Man -Article by Mark Lazar

***There is no such thing as government funded—it’s all taxpayer funded.* Unknown**

Domestic equity indices continued to mark new highs through July, which exemplified how dueling narratives can both be true while the forward-looking market produces a clearly positive result. In this case, optimism bolstered by economic data and sentiment—gross domestic product (GDP) growth, employment, earnings and reduced inflationary fears among them—has managed to, for now, allay delta variant concerns.

The [S&P 500](#) and [NASDAQ](#) both set seven all-time highs in July, while the [Dow Jones Industrial Average](#) recorded five. Under those glossy headline numbers, however, lies a more complex situation with wide disparities in performance between firm sizes, sectors, growth versus value, and commodities.

Item	YTD Change
Dow Jones Ind Avg	14.14%
S&P 500 Index	17.02%
EAFE Foreign Index	8.08%
Barclays Agg Bond Index	-.50%
10-Year Inflation Forecast	2.40%
2021 GDP Growth Forecast	6.7%
Unemployment Rate	5.9%

*Market index data as of 4/30/2021

When it comes to compulsory government tithing, there are numerous idioms, such as *you can never escape death and taxes*, *taxes are the penalty for financial success*, and *taxes are what we pay for civilized society*. While personal income taxes garners most of the spotlight, let's take a moment to review the various taxes we pay on a daily basis.

(Personal) Income taxes: Uncle Sam will collect ~[\\$2 trillion](#) in personal income taxes this year. The federal tax system is both layered and progressive. While the top [marginal tax rate](#) is currently [37%](#), the effective, or average, rate is [14.6%](#).

Rate	Single Individuals	Married Individuals Filing Jointly
10%	Up to \$9,950	Up to \$19,900
12%	\$9,951 to \$40,525	\$19,901 to \$81,050
22%	\$40,526 to \$86,375	\$81,051 to \$172,750
24%	\$86,376 to \$164,925	\$172,751 to \$329,850
32%	\$164,926 to \$209,425	\$329,851 to \$418,850
35%	\$209,426 to \$523,600	\$418,851 to \$628,300
37%	\$523,601 or more	\$628,301 or more

[The Tax Foundation](#)

In addition to federal levies, there are also state income taxes, which range from [0%](#) (AL, TN, WY, FL, NH, SD, TX, WA, and NV) to a high of [13.3%](#) in California. Total net state income tax revenue in 2020 was [\\$441 billion](#).

Corporate taxes: Business taxes are both complex and a political lightning rod. Prior to the [Tax Cuts and Jobs Act of 2017](#), at 37%, the US had the [highest corporate tax rate](#) of any developed country in the world. The TCJA reduced the corporate tax rate to [21%](#), putting it on par with the European OECD countries at [21.7%](#). Like a [tariff](#), a corporate tax is ultimately paid by the consumer. Taxes are simply a line item on a company's P&L statement, no different than cost of goods, labor, or general and administrative costs. At the end of the day, a company must be profitable in order to remain in business, and all costs must be factored into the retail price. The higher the corporate tax, the higher the cost to the consumer. At the end of the day, the consumer pays the corporate taxes, not the Monopoly Man.

Property taxes: Property taxes are the penalty for owning stuff, and can be levied on items such as boats, automobiles, recreational vehicles, and business inventories. Rising home prices are great for the balance sheet, but the commensurate increase in property taxes can be painful.

Payroll taxes: Both employers and employees are responsible for payroll taxes. The current [FICA](#) tax rate for social security is [6.2%](#) for the employer and 6.2% for the employee, totaling 12.4%. The Medicare tax is [1.45%](#) for the employer, 1.45% for the employee, totaling 2.9%. This results in a combined employee/employer FICA tax rate of 15.3%. But wait, there's more; for wage earners over

\$200K (\$250K for joint filers) there's an additional [0.9%](#) Medicare surtax withheld, resulting in a top FICA tax rate of 16.2%.

Inheritance and gift taxes: AKA, the *death tax*, is a tax that arises from the death of a taxpayer, and is imposed on the transfer of any property or asset resulting from death. The current federal estate tax rate is [40%](#), and is imposed on estates exceeding [\\$11.7M](#) per person, \$23.4M per couple. In addition to the federal estate tax, [eighteen](#) states also impose an inheritance tax, with a top rate of 16%.

Capital gains taxes: The capital gains tax is levied on profits from the sale or disposition of an asset purchased at a lower price, most commonly from the sale of stocks, bonds, and property. Current federal rates are generally 15–20%. In addition to federal taxes, most states tax gains as well, with California receiving the honors of being the highest at [13.3%](#).

Sales Taxes: Consumption taxes, also known as sales taxes, are levied at the point of purchase for specific goods and services. The combined state sales tax collected last year was over [\\$513 billion](#).

Excise taxes: An excise tax is federal duty placed on specific goods or activities, such as gasoline, cigarettes, and gambling. The tax is applied to the cost of the associated product or service; meaning, the consumer pays it. Like Europe's ubiquitous valued added tax ([VAT](#)), [excise](#) taxes lack the transparency of a sales tax.

Tariffs: A government-imposed tax on goods or services, which can be levied on either imports or exports. Policymakers use tariffs primarily to protect domestic industries and, secondarily, to raise revenues. Contrary to the previous Administration's assertions, the consumer *always* pays the tax in the form of a higher prices.

Other taxes: Include license fees, tolls, and various miscellaneous taxes levied by the various states. In 2020 the total amount collected by the states for Other Taxes was [~\\$90 billion](#).

While taxes are the price we pay for civilized society, Washington bureaucrats tend to fixate on one side of the budget; raising taxes, and never consider the other option; spending less. The Beatles', George Harrison, had a few thoughts regarding compulsory government tithing; "If you drive a car, I'll tax the street. If you try to sit, I'll tax your seat. If you get too cold, cold, I'll tax the heat. If you take a walk, I'll tax your feet. Taxman."

Mark Lazar, MBA

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Wasatch Team Updates



Mark
Mark golfing

Stan

Stan doing what Grandpa's do best, spoiling their grand babies with dessert!



Rees
Rees sailing on Jordanelle

John

John and Shawn at their FIRST concert in 18 months this month.



Kendall

Kendall and Jen at a recent concert too!

Nicola

Nicola snorkeling in Mexico recently with her husband.



Matt

Matt in Mallorca, Spain on a past trip.



Jon

Jon's youngest daughter excited she is old enough to upgrade to a big girl bed!



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