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Dace: Welcome back to Money and Politics in Delaware, let's do some politics. Welcome back, Bill Kane.

Bill: Dace, thanks for having me back. It's always a pleasure to come back.

Dace: And way of disclosure, Bill Kane is in this 40 years of roughly radio, Bill is arguably our most frequent flyer to the audience. What we're going to try to do, the election is one year out. The two key issues arguably for the Democrats are taxes, wealth, if you will. The penalization of wealth, if you will. And then climate change, segment three, today, Bill Kane, we're talking taxes, segment four, the next segment, climate change. We have some documentation there that embarrasses those folks. So with that said, Bill Kane, we get first-time listeners. Tell us about Bill Kane. Who are you, and what is it that you do?

Bill: Well, you know Dace, Dingle and Kane has been located here in Newark since our formation over 30 years ago. You and I've been doing this together for more than 30 years. Hopefully we'll continue to do it for a few more, but my firm is a small accounting practice, small to medium-sized accounting practice. We do have a thousand tax returns, a thousand individual tax returns a year, 300 businesses. Always looking to expand our practice. So if anyone has any issues, tax issues, accounting issues, we're always here. Please give me a call.

Dace: You ready to go?

Bill: All set.

Dace: All right. Let's tee it up. Let's concentrate today on the democratic tax proposals. Your turn, run.

Bill: Well, a recent Wall Street Journal article provided kind of a summary of some of the proposals being floated by the Democrats. They're all being touted as ways to pay for their social programs. They're proposing to reduce the wealth disparity between who they see as the haves, and the have-nots.

Dace: All right. And I guess the question is, aren't they focused, think it's fair to say, this is a question. Is it about capital gains and some kind of wealth tax?

Bill: Yes. They've always felt it's unfair to tax investment return income at lower rates than ordinary income rates. In forever, since I've been doing this, the capital gains have always had a lower tax rate.

Dace: Okay. So common sense says, what's the rationale?

Bill: Well, basically they believe the wealthy benefit disproportionately by paying lower rates on realized long-term capital gains, and qualified dividends, and also potentially paying no tax on the unrealized gains that that end up passing through estates. And they get a stepped up basis on those assets, and when they sell them, they pay no tax.

Dace: All right. My answer would be a little bit different, but an add-on, it doesn't matter. European countries tried and largely abandoned wealth taxes, and it doesn't matter former treasury secretary and democratic economic guru, Larry Summers, all but bad-mouth wealth taxes. Enough said. You're the guest. Let's go. Let's get to the proposals.

Bill: All right, well let's discuss former vice president Biden's proposal, which was included in the article. These appear to be some of the President Obama holdovers, but first he proposed eliminating the step up in basis. The thinking is this would result in higher tax revenue because investors would no longer delay sales of assets to get the step up in basis and avoid the tax. I mean, I agree, people do delay selling assets for this reason, but I believe it's not the only reason the whole to hold assets, and most investors sell their holdings when they believe that they've maximized their return. So yes, to some extent his proposal would affect those people, but not to the extent I think that the Democrats believe it will.

Dace: All right. Then the next follow-up is, I'm doing this from memory, is he also proposing an increase in the tax rates on the sale of assets?

Bill: Yes. I mean according to the article, he proposed doubling the tax rate on long term capital gains to 40% for taxpayers with incomes over one million dollars. And you know when you think about that, that 40% is higher than the highest rate that they currently tax ordinary income at. So in fact it's not a savings anymore, it's a penalty for having investment income.

Dace: All right. Then let's kind of put the dots together and move those along. Would this accomplish, in your opinion, the goal to generate more revenue?

Bill: No, I really don't think so. My opinion, this is merely a timing issue. Would they generate revenue? Yes. Would it be in the near future to allow for funding on the entitlement programs? Absolutely not.

Dace: All right, so there'd still significant unrealized taxes. Common sense would suggest, question mark.

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Bill: Yep, absolutely. Again, investors are going to hold their assets to maximize their returns. But the way Democrats proposed to generate taxes on those gains is the proposal by Senator Wyden, and endorsed by Julian Castro, he's a democratic candidate for president, to tax the annual appreciation on those assets, even if you don't sell them. So, that's a big change.

Dace: Yeah, huge change. Run with it.

Bill: Well, it basically to me is an intermediate step between our current income tax system, and the wealth tax that I think they're really heading towards.

Dace: All right. Continue. Continue.

Bill: Well, I see numerous problems here. First, how do you value those assets? Assets held by brokerage houses, or easily valued assets held where you can value them in public markets, that might be possible to do, but what about privately held businesses? What about real estate assets? Are they going to be excluded from this calculation? What about losses on those assets? Sometimes the value of those assets go down. Do you get a deduction for that? Will the losses on those reevaluation be limited to $3,000 as it is under the current system? What about farms? Another big question, where do you get the funds to pay the tax, especially on non-liquid assets like real estate appreciation, or small businesses or farms? Lots of problems I see with that proposal.

Dace: I think this one, in my opinion, my opinion now, it gets the stupid award. If you're going out after the extraordinary rich, they can change their residence in a blink of an eye. We tape on Friday, air on Saturday. The headline on Drudge has Trump moving his residency from New York to Florida.

Bill: I saw it.

Dace: If you're like him, he goes from Florida to Bermuda. This is just absolutely stupid. By the way, let's push on to validate how stupid it is. Is this dialogue, is it to be assessed against, at least initially, all taxpayers?

Bill: Well, you know, of course not, it isn't. This is a democratic proposal. So only the high-income taxpayers are going to be impacted by these proposals that we've talked about already.

Dace: All right. Senator Warren is the queen, arguably the king of the wealth tax plan. What's that all about?

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Bill: Well, Senator Warren has proposed a 2% wealth tax on assets above 50 million, and an additional 1% tax on assets over one billion dollar. Of course, she's not the only Democrat proposing a wealth tax. Bernie Sanders... both have wealth tax proposals out there, and some of the other Democrats have signed on to those. Again, I think it's a very difficult issue. I mean, the problems here, the cost to administer this will be staggering. I mean every year in effect, you need to do a valuation of all of your assets to determine first, if in fact you're over that $50 million number, or are you over the $1 billion number. And then you need to pay the tax either from your cash reserves, or you're going to have to sell your assets, which would then mean you're going to generate gains, which effectively, you're going to have a double tax, because those gains have already been built into your net worth. So you're paying it on the income side, and on the net worth side.

Dace: Oh it's a stupid thing. You roll them into a family limited partnership, and use the discount rate of return, and you've lost 20%. It's Rodney 101. Tick tock on the clock. We've got one minute left. So do the proposals even by the people that feed off these people pay for themselves?

Bill: Well, I mean I haven't seen anyone put out a definitive estimate, but in my opinion, just a little old accountant here in Newark, Delaware, there's no way to cover the costs of their proposals. And then, also service the debt we've already run up. We absolutely need to adjust the cost of health insurance. We need to address the cost of education. We need to address the deficit. But the option presented, in my opinion, will only put us further in debt, and certainly will negatively affect the economy.

Dace: And Larry Summers, who salutes the flag, tells you that you're wrong. Maybe you're wrong. Tick tock on the clock. His name is Bill Kane, K as in King, K-A-N-E. Bill Kane. It's Dingle and Kane in Newark. Get your pencil handy. (302) 731-5200.