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# Richest Are Leaving Even the Rich Far Behind

By **DAVID CAY JOHNSTON**  
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When F. Scott Fitzgerald pronounced that the very rich "are different from you and me," Ernest Hemingway's famously dismissive response was: "Yes, they have more money." Today he might well add: much, much, much more money.

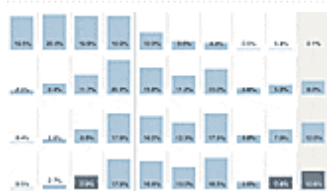
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The people at the top of America's money pyramid have so prospered in recent years that they have pulled far ahead of the rest of the population, an analysis of tax records and other government data by The New York Times shows. They have even left behind people making hundreds of thousands of dollars a year.

Call them the hyper-rich.

They are not just a few Croesus-like rarities. Draw a line under the top 0.1 percent of income earners - the top one-thousandth. Above that line are about 145,000 taxpayers, each with at least \$1.6 million in income and often much more.

The average income for the top 0.1 percent was \$3 million in 2002, the latest year for which averages are available. That number is two and a half times the \$1.2 million, adjusted for inflation, that group reported in

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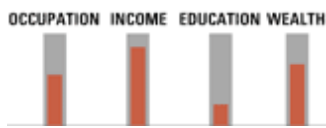
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1980. No other income group rose nearly as fast.

The share of the nation's income earned by those in this uppermost category has more than doubled since 1980, to 7.4 percent in 2002. The share of income earned by the rest of the top 10 percent rose far less, and the share earned by the bottom 90 percent fell.

Next, examine the net worth of American households. The group with homes, investments and other assets worth more than \$10 million comprised 338,400 households in 2001, the last year for which data are available. The number has grown more than 400 percent since 1980, after adjusting for inflation, while the total number of households has grown only 27 percent.

The Bush administration tax cuts stand to widen the gap between the hyper-rich and the rest of America. The merely rich, making hundreds of thousands of dollars a year, will shoulder a disproportionate share of the tax burden.

President Bush said during the third election debate last October that most of the tax cuts went to low- and middle-income Americans. In fact, most - 53 percent - will go to people with incomes in the top 10 percent over the first 15 years of the cuts, which began in 2001 and would have to be reauthorized in 2010. And more than 15 percent will go just to the top 0.1 percent, those 145,000 taxpayers.

The Times set out to create a financial portrait of the very richest Americans, how their incomes have changed over the decades and how the tax cuts will affect them. It is no secret that the gap between the rich and the poor has grown, but the extent to which the richest are leaving everyone else behind is not widely known.

The Treasury Department uses a computer model to examine the effects of tax cuts on various income groups but does not look in detail fine enough to differentiate among those within the top 1 percent. To determine those differences, The Times relied on a computer model based on the Treasury's. Experts at organizations representing a range of views, including the Heritage Foundation, the Cato Institute and Citizens for Tax Justice, reviewed the projections and said they were reasonable, and the Treasury Department said through a spokesman that the model was reliable.

The analysis also found the following:

¶Under the Bush tax cuts, the 400 taxpayers with the highest incomes - a

minimum of \$87 million in 2000, the last year for which the government will release such data - now pay income, Medicare and Social Security taxes amounting to virtually the same percentage of their incomes as people making \$50,000 to \$75,000.

¶Those earning more than \$10 million a year now pay a lesser share of their income in these taxes than those making \$100,000 to \$200,000.

¶The alternative minimum tax, created 36 years ago to make sure the very richest paid taxes, takes back a growing share of the tax cuts over time from the majority of families earning \$75,000 to \$1 million - thousands and even tens of thousands of dollars annually. Far fewer of the very wealthiest will be affected by this tax.

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