

When you go to work, whether you get paid by the hour, or on commission, tips or by salary, you earn every penny of it. The operative word being earned.

When you invest your own sweat equity and/or money to create a company, the operative word being create, you earn every penny of it.

I think Obama is about to make a HUGE misake, if elected, by increasing taxes on EARNED income of 250k or more. 250k does not make you rich, particularly if you live in a city, say New York City, with a huge cost of living. 250k does not make you rich if you are 60 years old, hoping not to get laid off and holding on to your salary long enough to have enough in the bank to retire. 250k does not make you rich if you have 3 kids near or at college age.

The disparity in wealth in this country does not come on the backs of people making 250k, or even 500k or 1mm per year FROM THEIR JOBS. The ever increasing delta between the rich and everyone else does not come from EARNED INCOME at all. It comes from found money.

Found money is when an internet bubble hits and the options you got for 1 dollar are sold for 250. It comes from buying a stock for \$1 and seeing it turn into a "10 bagger". It comes from hitting the lottery. It doesn't matter whether you were smart or lucky, it is money you FOUND based on good fortune.

When I sold broadcast.com does anyone seriously think I would have cared if the tax on my FOUND money was 10pct or 20pct more ? Hell no. Would I have made any decisions differently, HELL NO.

I dont have access to financial data, or maybe Im just too lazy to find it, to know how much income in this country is found money. Capital gains earned from limited risk capital. Things like stock options awards sold. I dont know what the number is, but its found money and could be taxed higher. If Steve Jobs gives himself 1mm Apple options at a buck or two apiece, and he sells them for \$175 dollars each, would anything about his actions change if that FOUND income were taxed at 20pct higher rate ? Sure Steve Jobs busts his ass to increase the output of Apple Computer. But his ass busting does really change the multiple or base price assigned to the stock. Thats a function of the market and market trends.

Im not the economist, fortunately, but if we can arbitrarily assign taxation to given income levels, we can arbitrarily define what constitutes FOUND MONEY.

I would do the following:

if an individual, in any given year, has short term capital gains of more than 1mm dollars, AND that gain is 200pct or more (remember, for your taxes, you list cost and sales price, so gain percentage would not be difficult to calculate) you pay the existing cap gains tax, plus you get hit with a "You got lucky tax of 30pct"

For long term capital gains, it would be more difficult, but I would tax it at a gain greater than \$1mm or a basis equal to the compounded CPI for every year held, against a 300pct increase and reduce the GOT LUCKY percentage to 20pct.. So in the Steve Jobs example, if he had held his stock for 5 years, then sold it at 175mm a share, he would pay tax on 175mm in gains at the current rate, then a GOT LUCKY tax at 20pct of \$175mm or \$35mm dollars.

Will it piss off rich people like me.. Yep. But it wont affect our behavior at all. At some point you know the difference between FOUND MONEY and EARNED INCOME. That stock that went crazy, the options or warrants you got that vested just at the right time, thats where people get in to the Fuck You money territory, and most if not all recognize that paying taxes at that level is a great problem to have.

The transactions this GET LUCKY tax is most likely to impact