In this morning’s Daily Dish, AAF President Douglas Holtz-Eakin examines the White House’s claim that raising the capital gains tax will affect only 0.3 percent of taxpayers. This figure is irrelevant to understanding the tax hike’s impact, Holtz-Eakin argues.

An excerpt:

From a tax policy perspective, there are two main questions about a tax: (1) How distortionary is the tax – how much does it change economic decision-making and thus re-shape the economy – and (2) Who really pays the tax – who bears the ultimate economic burden of the tax? The first is often referred to as the deadweight loss of the tax and the latter as the economic incidence of the tax.

Knowing that the capital gains tax increase is targeted on only 0.3 percent of individuals does not tell you anything about the answer to either question.

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