

A Parable About Taxation and Lottery - MabuhayRadio

Written by Bobby M. Reyes

Tuesday, 04 January 2011 14:38 - Last Updated Tuesday, 04 January 2011 17:17

By Bobby Reyes

{xtypo_quote} Benjamin Franklin said in 1817: 'In this world nothing can be said to be certain, except death and taxes.' But never in his wildest dream did he realize that by 2010, 'death' would become an adverb of 'tax'. – Bobby M. Reyes {/xtypo_quote}

Thus, Columnist Ernie Delfin quoted this writer in his April 2010 article about taxes, [The U.S. Government's Social Programs and Pension Systems Will Tax Our Children and their Children to Death](#)

As supposedly one of the better (ahem) Overseas-Filipino story tellers, this writer is fed up with receiving so many online versions of this tall tale, "Tax System Explained in Beer." It has been falsely attributed to David R. Kamerschen, Ph.D., a professor of Economics at the University of Georgia

. The said "tax story" that has been going around the Internet lacks logical rhyme and reason. Therefore, this writer took upon himself to come up with a hopefully-improved version that carries more sense and presto, an O'Henry ending. Please read on . . .

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There were 10 Filipino-American medical workers who worked in an HMO facility Mondays to Fridays. They made it a point to take a one-hour lunch together at a nearby Asian-American restaurant every Monday, Wednesday and Friday. The luncheon bill averaged \$10 per head, including tax and gratuity.

The highest-ranked medical professional in the group was a physician who was the HMO medical director. He volunteered to contribute \$59, as he said that he earned more-than enough. The physician also suggested that since four of the 10 were just minimum-wage workers, they ought to eat free. Then he said that the guy who earned just slightly above minimum wage should just chip in a dollar. Then the next guy who earned higher than the fifth person should pay \$3. Then the three nurses in the group would contribute – depending on their seniority and pay – \$7 and \$12, respectively with the third, the Director of Nursing, shelling out \$18. Everybody agreed that it was an equitable way to share blessings and benefits, just like the concept of taxation.

It did not matter that only one person, the Medical Director, pays for more-than half of the bill but he was happy to share his good fortune with his friends. The group of 10 medical workers continued with their luncheon schedule for more-than two years.

Then the restaurant owner said: "Since you are all such good patrons who eat here three times a week, I'm going to reduce the cost of your luncheon by \$20. The bill would now be \$80, instead of \$100."

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The group of medical workers still wanted to pay their bill the way people pay taxes. So the first four employees (the minimum-wage earners) were unaffected. They would still eat for free.

But what about the other six other employees who paid the bill? How could they divide the \$20 windfall, so that everyone would get his "fair share?"

Just like the Democrat-and-Republican members of the United States Congress, the group members began to engage in a lively debate in a similar fashion to the legislators' discussion on the extension of the Bush Tax Cuts.

The accounting clerk in the Filipino-American group of 10 restaurant patrons came up with his "mathematical solutions." Such as dividing the \$20 by six will come up to \$3.33 per paying member.

But one guy immediately objected by saying that if they subtracted that from the paying-members' share, then the 5th person and the 6th individual would each end up being paid to eat.

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So, the accountant suggested instead that it would be fair to pro-rate the \$20 savings, reducing each person's bill by roughly the percentage of the total bill he or she was paying, and he proceeded to work out the amount each should pay. Thus, the 5th person, like the first four, paid nothing (100%-savings).

The 6th person would now pay \$2.00 instead of \$3.00 (a 33%-savings).

The 7th would now pay \$5.00 instead of \$7.00 (a 28%-savings).

The 8th would now pay \$9.00 instead of \$12.00 (a 25%-savings).

The 9th would now pay \$14.00 instead of \$18.00 (a 22%-savings).

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The 10th would now pay \$49.00 instead of \$59.00 (a 16%-savings).

Each of the six "paying customers" was better off than before, and the first four continued to eat for free.

But once they went back to work at the medical facility, they began, however, to compare their "savings."

"I only got \$1.00 out of the \$20," declared the 6th person (who used to pay \$3.00). Then he pointed to the Medical Director, the 10th man in the group, and said, "But he gets \$10.00!"

"Yeah, that's right," exclaimed the 5th person (who was now eating for free). "I only saved \$1.00, too. It's unfair that he got 10-times more than me!"

That's true," shouted the 7th individual. "Why should he get \$10.00 back when I got only \$2.00? The wealthy get all the breaks!"

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"Wait a minute," yelled one of the four men (who were still eating for free). "We didn't get anything at all! The system exploits the poor, especially the minimum-wage workers!"

The liberally-oriented guys who protested could not understand the maxim that "people who contribute the most get also the most benefit from a cost reduction or discount." Just like in taxation, right?

The 10th man, the Medical Director, was outraged at their behavior but he suggested that the group instead continue to pay the same and use the discount to buy Lotto tickets. He said that out of his theoretical share of \$10, he would give the first four persons a dollar each as their share in the Lotto pool. They all agreed verbally and they concurred to divide any winnings on a pro-rata basis.

Then the Lotto pool of the 10 medical workers won five out of the five numbers but without the Mega number. The pool won nearly \$300,000. But before they could submit the winning ticket to the Lottery office, one of them said that his lawyer would make an official demand to divide the winnings equally – that is to be divided by 10. He said that the pro-rata agreement was not just and equitable.

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And so facing a possible lawsuit, the Medical Director, the Nursing Director and the four other (paying) employees were forced to agree. But there was so-much rancor that almost all of them decided not to continue with the thrice-weekly luncheon and even the Lotto pool.

The following Monday only the Medical Director and the Nursing Director showed up at the same Asian-American restaurant for lunch. They went "Dutch treat" but they decided on their way out to buy \$10 of lottery tickets. Both of them contributed \$5 each.

The Mega-Lotto draw went on the next day. And the lottery tickets bought by the Medical Director and the Nursing Director won \$200-million.

The lessons of this story? Firstly, Filipino-American medical workers are the pride and joy of the Filipino people, even if the healthcare professional often do not see-to-eye among themselves. Secondly, the rich will always get richer because, among many advantages, they can always afford to buy more lottery tickets. The third moral of this story is always put down in writing the rules that will govern the Lotto pool, i.e., whether pro-rata or equal sharing no matter the amount of contribution. The fourth lesson is that the "love of money" is indeed evil, as it breaks up friendship and camaraderie.

The final lesson? The Internal Revenue Service and the Franchise Tax Board actually are the

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biggest winners in the Lotto, as they get to tax and get almost a third of the winnings. For as the quotation says in the lead paragraph, “‘Death’ has become an adverb of ‘tax’.”

And perhaps readers, especially those who never win anything at all in the Lotto, may like to read this article while they sing with Alan Jackson his hit, “Livin’ On Love”©, [A New Year’s Message: The World, Especially Filipinos, Must Start to Live More on Love and Less on Materials Things](#)

At least they can rationalize their existence as working people being “taxed to death,” as Ernie Delfin says in his article.

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