AMERICANS FOR TaxFairness

OPTIONS FOR ENSURING THE ULTRA-WEALTHY PAY THEIR FAIR SHARE OF TAXES

REFORM PROPOSALS IN THE BIDEN TAX PLAN

- **Tax wealth like work.**
  For people earning more than $1 million a year (the richest 0.3% of taxpayers), Biden will close the loophole that lets them pay a tax rate on the sale of stock and other assets that is far lower (20%) than the top rate workers pay on wages (37%). Biden also will close a loophole that lets millionaires avoid taxes altogether on the profits from assets—income and increased wealth that the rich get from stocks and assets—that they transfer to heirs by ending step-up in basis. These reforms will raise $325 billion.
- **Restore the top individual tax rate and stop avoidance of healthcare taxes.**
  To better ensure CEOs and other high-paid employees pay more fair taxes, Biden will restore the top individual rate to 39.6%, its rate before the Trump tax cuts. No one earning less than $453,000 a year will pay more tax. Biden will also close loopholes that result in wealthy business owners avoiding taxes that fund the Affordable Care Act. These two reforms will together raise $370 billion.

REFORM PROPOSAL FROM BIDEN'S 2020 CAMPAIGN NOT IN HIS TAX PLAN

- **Restore the estate tax to 2009 levels and close dynasty trust and other loopholes.**
  Estates worth up to $11.7 million today for a single person ($23.4 million per couple) are exempt from estate taxes. Congress should restore the 2009 exemption levels and rates, which would tax family fortunes above $3.5 million and $7 million, respectively, at a 45% rate. That would raise about $220 billion while taxing only about the six wealthiest of every 1,000 estates, or 0.6% of estates. Estate tax reform should also include closing dynasty trust loopholes, such as GRATs, which last virtually in perpetuity and shelter family fortunes from estate and generation skipping tax upon the passage of each generation. Americans for Tax Fairness and 80 national organizations have endorsed such legislation by Sen. Bernie Sanders (S. 994) and Rep. Jimmy Gomez (H.R. 2576).

PROPOSALS FOR TAXING THE SUPERWEALTHY NOT YET INCLUDED IN BIDEN'S TAX PLAN BUT NOT RULED OUT BY THE BIDEN ADMINISTRATION

- **Enact a Small Annual Wealth Tax on Ultra-Millionaires and Billionaires. The Ultra-Millionaire Tax Act of 2021 is already co-sponsored by 8 Senators (S. 510) and 28 House members (H.R. 1459). More information is at the Americans for Tax Fairness website.**
  It could raise an estimated $3 trillion over 10 years. It enjoys supermajority, bipartisan support from voters in battleground states as well as nationally. The legislation would impose a small 2% annual tax on the portion of a household's net worth exceeding $50 million, and a 3% annual tax on the portion exceeding $1 billion. ATF estimates that the Warren-Jayapal wealth tax would have raised $114 billion in 2020 from billionaires alone. 2019-2020 polls asking about the wealth tax showed bipartisan supermajorities support the measure, including Republican majorities in many battleground states. The most recent

national poll, conducted for ATF May 20-25, 2021, shows 71% to 20% support, including 65% to 21% among independents. A wealth tax could also be introduced as a one-time version especially during the pandemic, for example a 5% tax on wealth above $50 million and 10% above $1 billion. Switzerland, Spain and Norway have had annual wealth taxes for a long time, and Argentina just implemented a 5% one-time tax.

- **Implement a 2021 Untaxed Gains Tax on Billionaire Fortunes.**
  A 2021 Billionaire Untaxed Capital Gains Tax could raise an estimated $1 trillion over ten years by limiting billionaires' tax avoidance and tax deferral practices on their tradable assets (stocks, bonds, derivatives). This is a one-year "emergency" tax on the unrealized capital gains of tradable assets, which have not yet been sold, at the top ordinary income tax rate of 39.6% rate proposed by President Biden. It is similar to a more ambitious proposal from Senate Finance Chair Ron Wyden to annually tax the increased value of tradable assets of the super-wealthy (known as mark-to-market), which have not been sold. The untaxed gains tax would be assessed on fortunes over $1 billion, which would be deemed as realized on a specific recent date such as December 31, 2020, or March 31, 2021. The tax would be payable over ten years. It would likely be overwhelmingly popular, similar to strong public support for a wealth tax.

- **Enact an Annual Tax on Untaxed Gains of the Super-Wealthy.**
  Sen. Ron Wyden, chairman of the Senate Finance Committee, has drafted a major proposal to tax capital gains like work by raising the tax rates on capital gains and other investment income to match the tax rates on wages, and by requiring the wealthy to pay as they profit by taxing each year the gains they enjoy from investments, as workers pay taxes each year on earned income. A rough estimate is that this proposal could raise about $2 trillion over 10 years. The tax would apply to people with more than $1 million in annual income and/or more than $10 million in assets for three consecutive years. Personal residences up to $2 million, retirement accounts up to $3 million and family farms up to $5 million are not counted when determining whether a taxpayer meets the asset threshold. Taxpayers must pay tax on the gain or take a deduction for losses on tradeable assets like publicly traded stocks, bonds, derivatives and securities held at the end of each tax year. Tax due on gains realized from non-tradeable property such as real estate, business interests or collectibles will be calculated at sale or transfer through a lookback charge.

- **Pass the Millionaires Surtax Act sponsored by Sen. Van Hollen (S. 2028) and Rep. Beyer (H.R. 3805)**
  This is a fallback reform if President Biden's capital gains tax reforms, including ending step-up in basis and taxing gains upon death, are not able to be adopted. It could also be used to add a new top bracket on wages. The Millionaires Surtax, supported by Americans for Tax Fairness and 70 other organizations, would add a 10-percentage point tax on income above $2 million for married couples filing jointly and $1 million for individual tax filers. The surtax would be added to the current top tax rates paid by the wealthy and apply to all forms of income: including capital gains and dividends, which are taxed at a 20% rate, rather than at the 37% wage income rate. It would raise about $635 billion over 10 years, according to the Tax Policy Center, and affect only 0.2% of taxpayers. A Hart Research poll of likely 2020 voters found the surtax was favored by 73%, with just 27% opposed. 76% of Independents and 53% of Republicans supported the surtax.