AMERICANS FOR TaxFairness

OPTIONS FOR ENSURING THE 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.
- **ATF's Polling Compilation: Biden's tax plan; taxing the wealthy and corporations.**

REFORM PROPOSALS FROM BIDEN'S 2020 CAMPAIGN BUT NOT IN HIS CURRENT 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).
- **Cap the value of itemized deductions at 28%.** Higher-rate taxpayers benefit more from deductions than those paying lower rates. (A $1,000 deduction saves a taxpayer in the 35% tax bracket $350, but only $240 for one in the 24% bracket.) Capping the value of deductions at 28% for married couples with income over $400,000 would raise about $225 billion while making the system fairer.
- **End the 20% deduction for owners of pass-through businesses earning more than $400,000.** Pass-through businesses—sole proprietorships, partnerships and S corporations—do not pay corporate taxes, their owners pay taxes at individual rates. The Trump tax law created a loophole letting them deduct 20% of their income when calculating their taxes. Because pass-through income is so concentrated at the top, within a few years over 60% of the benefit of this deduction will flow to the wealthiest 1% of business owners. This loophole is scheduled to close in 2026; ending it this year could raise about $140 billion and eliminate the risk that it will be extended beyond 2025.

PROPOSALS FOR TAXING WEALTH NOT INCLUDED IN BIDEN'S TAX PLANS

- **Ultra-Wealth Tax Act sponsored by Sen. Warren (S. 510) and Reps. Jayapal and Boyle (H.R. 1459). More information is at the Americans for Tax Fairness website.**
  It would impose a 2% tax on the portion of a household's net worth exceeding $50 million, and a 3% tax on the portion exceeding $1 billion. It could raise an estimated $3 trillion over 10 years. ATF estimates that the Warren wealth tax would have raised $114 billion in 2020 based on the $4.1 trillion wealth of the country's 650-plus billionaires on December 31. Over 10 years it might raise well over $2 trillion, assuming their wealth continued to increase exponentially. Numerous polls asking about the wealth tax show that an average of 62% support the measure.

- **Alternative wealth tax that applies to capital gains increases on assets NOT sold.**
  - **Mark-to-market version:** Sen. Ron Wyden, chairman of the Senate Finance Committee, has drafted a major proposal to tax wealth 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 just like 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.

  - **One-time tax on billionaire's wealth gains:** Leading wealth economists Emmanuel Saez and Gabriel Zucman have proposed a one-time tax on the stock of billionaires' unrealized gains at the 39.6% ordinary income tax rate proposed by President Biden. Practically, all gains accumulated as of April 1, 2021 would be deemed realized and the tax would be payable over 10 years. They estimate it would raise about $1 trillion. Because it is a one-time tax of gains already accumulated, it does not create adverse economic incentives, and because it is a tax on income, rather than on wealth, it would likely survive a Constitutional challenge.

- **Millionaires Surtax Act sponsored by Sen. Van Hollen (S. 2028) and Rep. Beyer (H.R. 3805).** 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.