



TAX POLICY CENTER REVENUE ESTIMATES FOR 10% SURTAX

Oct. 15, 2019

The Tax Policy Center has provided a revenue estimate and distributional analyses that assess a 10 percentage-point surtax on taxpayers adjusted gross incomes (AGI) above \$2 million for married couples filing jointly and \$1 million for single filers. The revenue raised is \$634 billion over 10 years as shown in the table below.

	REVENUE (\$ Billions)				DISTRIBUTION			
	10-Year Total	2020	2022	2029	2020 % of Tax Units	2020 # of Taxpayers	2029 % of Tax Units	2029 # of Taxpayers
\$2 Million AGI married couples filing jointly (\$1M AGI individuals)	\$633.9	\$22.8	\$54.4	\$87.4	0.2%	329,000	0.3%	513,000

Source: Tax Policy Center, Sep. 23, 2019

SURTAX DETAILS

- 10-percentage point surtax applied on all AGI above \$2 million for married couples filing jointly and \$1 million for single filers. (For married couples filing separately the threshold is \$1 million for each).
- Raises \$634 billion over 10 years
- In 2020, it will raise about \$23 billion; by 2029 it will raise at least \$87 billion. Revenues are lower in the early years of the surtax as taxpayers seek to avoid the tax by shifting the timing of capital gains realizations.
- About 0.2% of tax units will be affected—that is, 2 out of every 1,000 tax units, or 329,000 tax filers. In other words, 99.8% of tax units will *not* pay the surtax. By 2029, slightly over 0.3% of tax units will be affected, or about 513,000 taxpayers. Roughly 99.7% of taxpayers will still *not* pay the surtax in 2029.
- Surtax applies to all income: regular income like wages and salaries and investment income like capital gains and dividends. The surtax will raise the top tax rate on:
 - Income from wages and salaries from 37% to 47% (plus the 3.8% in Medicare taxes on the highest earners).
 - Income from capital gains from 20% to 30% (plus a 3.8% surcharge on net investment income of the highest earners—married taxpayers filing jointly with modified AGI above \$250,000 a year and singles above \$200,000¹).
- The surtax would be effective January 1, 2020 and is not indexed for inflation.

TAX POLICY CENTER DATA SOURCES

Source: Tax Policy Center, Urban-Brookings Microsimulation Model. Analysis prepared for Americans for Tax Fairness, Sep. 23, 2019. Data available at: [Table T19-0037: revenue estimates](#)

Two other tables linked below are used to determine the distribution of the surtax: the percentage of tax units and the number of taxpayers affected. The **percentage of tax units affected by the surtax** is taken from the first page of each table (see “All” under Tax Units with Tax Increase or Cut”).

[Table T19-0048: \\$2 million / \\$1 million threshold in 2020](#)

[Table T19-0050: \\$2 million / \\$1 million threshold in 2029](#)

The **number of taxpayers affected by the surtax** is calculated by applying the percentage of the top 1% subject to the surtax for a given year by the number of tax units in the top 1% for the same tax year.² This data is available for the two tables linked below as either a Download PDF or a Download Excel table on the right-hand side of each linked table. For the PDF version the data is on the second table and for the Excel version the data is in the “Detail” tab. The data is in thousands.

For example, in Table T19-0048, 28.4% of the top 1% are affected by the \$2 million joint/\$1 million individual surtax threshold in 2020. There are 1,160,000 tax units in the top 1% that year. An estimated 329,440 taxpayers will be affected, which is rounded to 329,000 in the table.

¹ See IRS, “Questions and Answers on the Net Investment Income Tax,” or NIIT. Per the IRS, taxpayers will owe the tax if they have net investment income from interest, dividends, capital gains, rental and royalty income, etc. and also have modified adjusted gross income over \$250,000 for married couples filing jointly and \$200,000 for singles. <https://www.irs.gov/newsroom/questions-and-answers-on-the-net-investment-income-tax>

² For the \$2 million / \$1 million threshold in 2029 a small percentage – 0.1% -- of those in the 95th-99th percentile income group would be affected by the surtax in 2029 according to TPC’s distributional analysis. This is a function of how TPC calculates its distributional effects, where it holds constant the distribution of income in 2020 in measuring effects in later years. In other words, those in the 95th-99th bracket in 2020 who are affected by the surtax in 2029 are those who will have seen their income grow to a level that would put them well into the top 1% category in 2029. These taxpayers – approximately 5,000 – have been included in the number affected in 2029.