



## FAQs ABOUT VERSIONS OF A BILLIONAIRES INCOME TAX

- 1. What is a billionaires income tax?** A billionaires income tax more fairly taxes billionaires and other super-wealthy people by taxing a major source of their income that often goes completely untaxed now: the increase in the value of their assets, such as corporate stocks, bonds and real estate.
- 2. Who has proposed a billionaires income tax?** [President Biden](#), Senate Finance Committee chairman [Ron Wyden](#) (D-OR), and a diverse group of House members led by Rep. [Jamaal Bowman](#) (D-NY) have all proposed versions of a billionaires income tax, which are [compared here](#). Their details differ, but all share the goal of ensuring that billionaires and other ultra-rich people pay a fairer share of income taxes. [Go here for more details](#) on each plan.
- 3. Why do we need a special income tax for billionaires?** Despite their enormous wealth, billionaires and other ultra-wealthy people can often go years [paying little or nothing in federal income tax](#) because their main type of income—the gains in investments they don't sell—is never taxed. Over a recent five-year span, according to IRS data, the 25 wealthiest Americans paid an average [federal income tax rate of just 3.4%](#) based on how much their wealth grew. Over a recent nine-year period, the 400 wealthiest Americans paid an average effective [federal income tax rate of only 8.2%](#) when the growth in the value of their assets is included in their income.
- 4. Is a billionaires income tax the same as a wealth tax?** No. A [wealth tax](#) is levied each year on the net worth of the wealthy, regardless of whether their wealth goes up or down. A **billionaires income tax** only taxes *increases in wealth*. No matter how wealthy someone is, no billionaires income tax would be due for any year in which that wealth decreased or stayed the same. [Go here for more details](#).
- 5. Aren't investment gains already taxed?** Only if the asset that's gone up in value is sold. Otherwise, investment gains—no matter how huge—are completely tax-free. And once those gains are inherited, they are [never taxed](#) even if the appreciated asset *is* sold.
- 6. Why should gains be taxed if the assets haven't been sold?** Investment gains on the scale enjoyed by billionaires and other super-wealthy people can be [as good as money in the bank](#) even if the underlying assets are not sold. They can serve as collateral for special low-interest loans available only to the wealthiest few, who get to live lavishly without paying any income tax.

- 7. How would gains on unsold assets be calculated?** It's easy to determine the increased value of publicly traded investments like corporate stock that are priced by the market every business day. Estimating gains on non-traded assets like private businesses, real estate and fine art is less precise but still possible and done all the time: local governments regularly update the appraised value of real estate, and rare collectibles must be frequently revalued for insurance purposes. The ultra-rich have tax lawyers and accountants helping them figure out how to avoid taxes—they can be put to better use helping to do fair appraisals of the value of assets. Nevertheless, each of the billionaires income tax plans makes allowances for the relative difficulty of determining gains in non-traded assets.
- 8. What happens if a billionaire's wealth goes down?** Losses can be used to reduce taxes due in years when wealth goes up.
- 9. What if a billionaire is short on cash to pay a big tax bill because his wealth is tied up in assets that unlike stocks or bonds cannot be sold off piecemeal, like a private business?** Tax payments can be made in installments stretched over several years.
- 10. What is the status of the various billionaires income tax proposals?** President Biden included [his plan](#) as part of his proposed budget for the next fiscal year, which begins in October 2022. Senator Wyden's BIT is [draft legislation](#). Representative Bowman's proposal, [H.R. 7502](#), was introduced in the House of Representatives with 10 cosponsors in April 2022.

For a more technical FAQ, [see this publication](#) by the Institute on Taxation and Economic Policy.