STARTING FUNDAMENTAL TAX REFORM FROM THE TOP: A SURTAX ON THE TOP 0.1 PERCENT

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Why progressive taxes – particularly on top 0.1 percent – are needed

As inequality rose – tax progressivity actually fell

Effective tax rates, Bottom 90 versus Top 0.1 percent
1915-2014

Can't tax the top without taxing capital

Share of capital income (including imputed housing) in total income, 2014

- Top 0.1: 67.4%
- 99.0-99.9th: 57.9%
- 91st-99th: 42.0%
- Bottom 90: 15.4%

A surtax on incomes > $2 million

- $2 million threshold – close to top 0.1 percent threshold in last year of IRS data

- 10 percentage point tax on every dollar of Adjusted Gross Income (AGI) above the $2 million threshold
  - For household with $3 million in AGI, tax rate rises by 3.3 percentage points

- Top 0.1 percent ~ $1 trillion in AGI, with $750 billion over the threshold

- Key: Capital gains and dividends are part of AGI

- This has political pedigree: A smaller surtax (5.4 percent on incomes > $1 million) was part of House version of the ACA
Taxing the top – with no spillover

How many U.S. households would have to pay the surtax?

Surtax threshold of $2,000,000

https://www.epi.org/blog/restraining-the-power-of-the-rich-with-a-10-percent-surtax-on-top-0-1-percent-incomes/
What could revenue from the surtax buy?

- Surtax raises ~$75 billion annually
- High-quality, universal pre-K for all 3-4 year olds: $45 billion
- Capping costs for young child care at 7% of family income: ~$40 billion
- Universal child allowance that cuts child poverty by 1/3rd (and deep poverty by > 50%): ~$70 billion