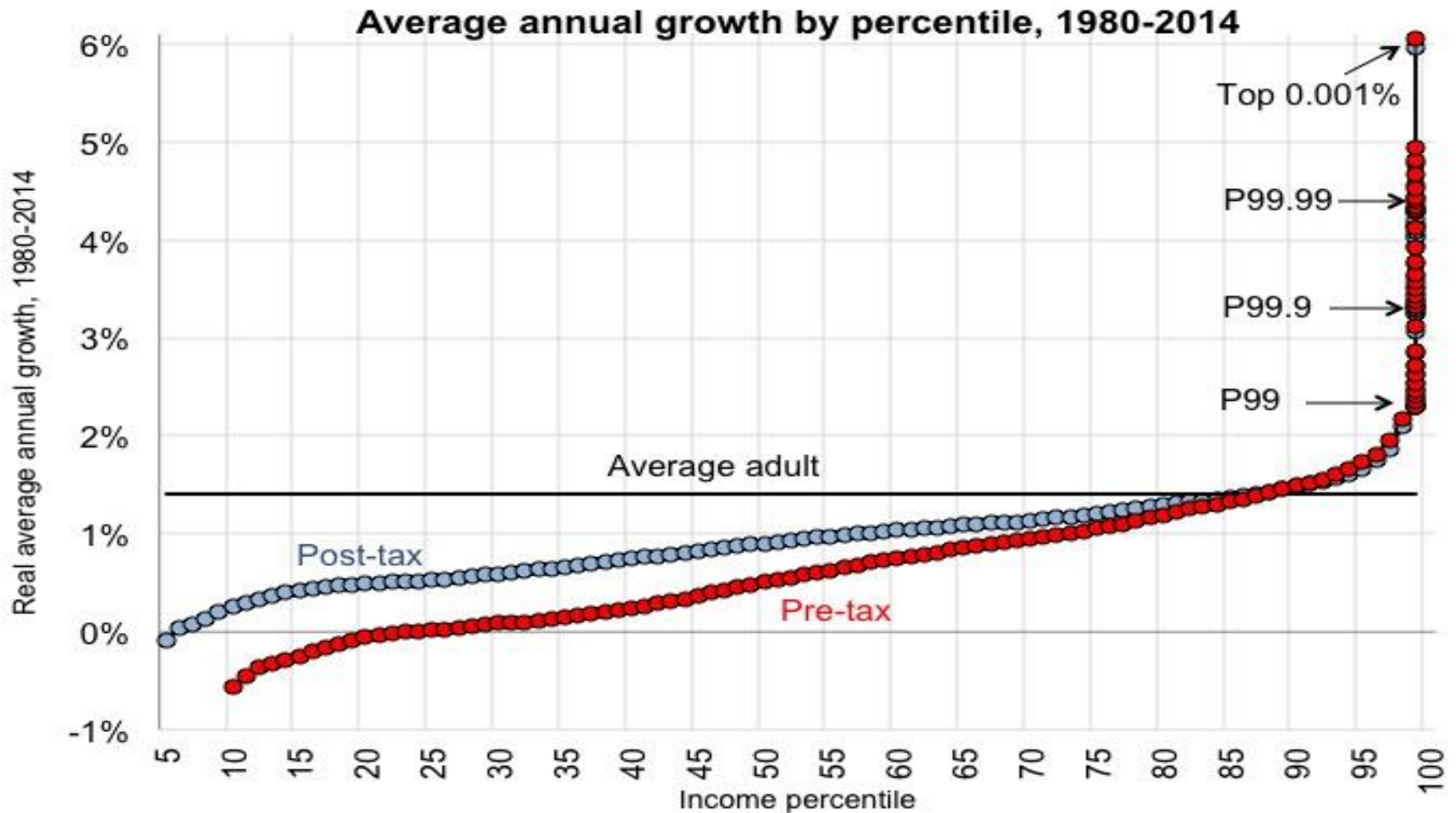


# STARTING FUNDAMENTAL TAX REFORM FROM THE TOP: A SURTAX ON THE TOP 0.1 PERCENT

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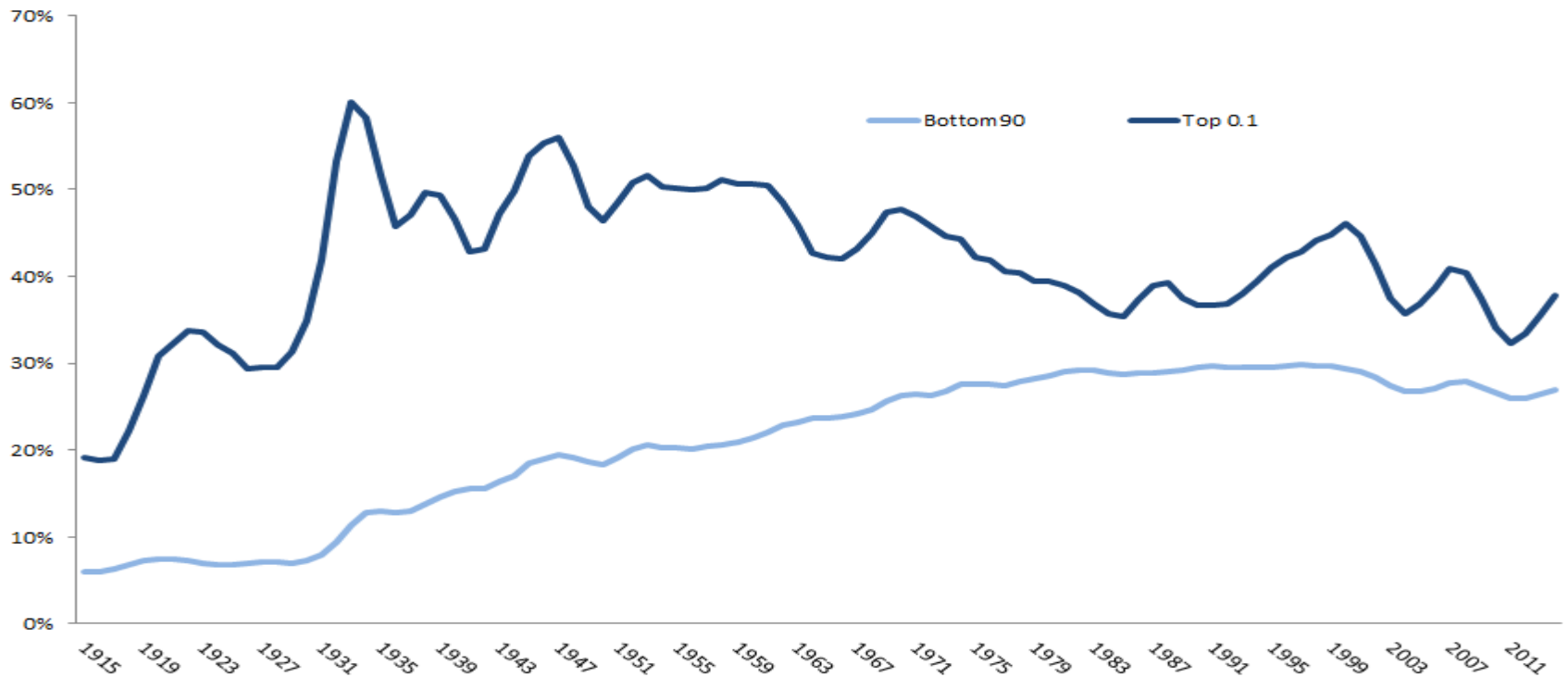
# Why progressive taxes – particularly on top 0.1 percent – are needed



Source: Piketty, Saez and Zucman (2018). "Distributional National Accounts: Methods and Estimates for the United States." *Quarterly Journal of Economics*, Volume 133 (2).

## As inequality rose – tax progressivity actually fell

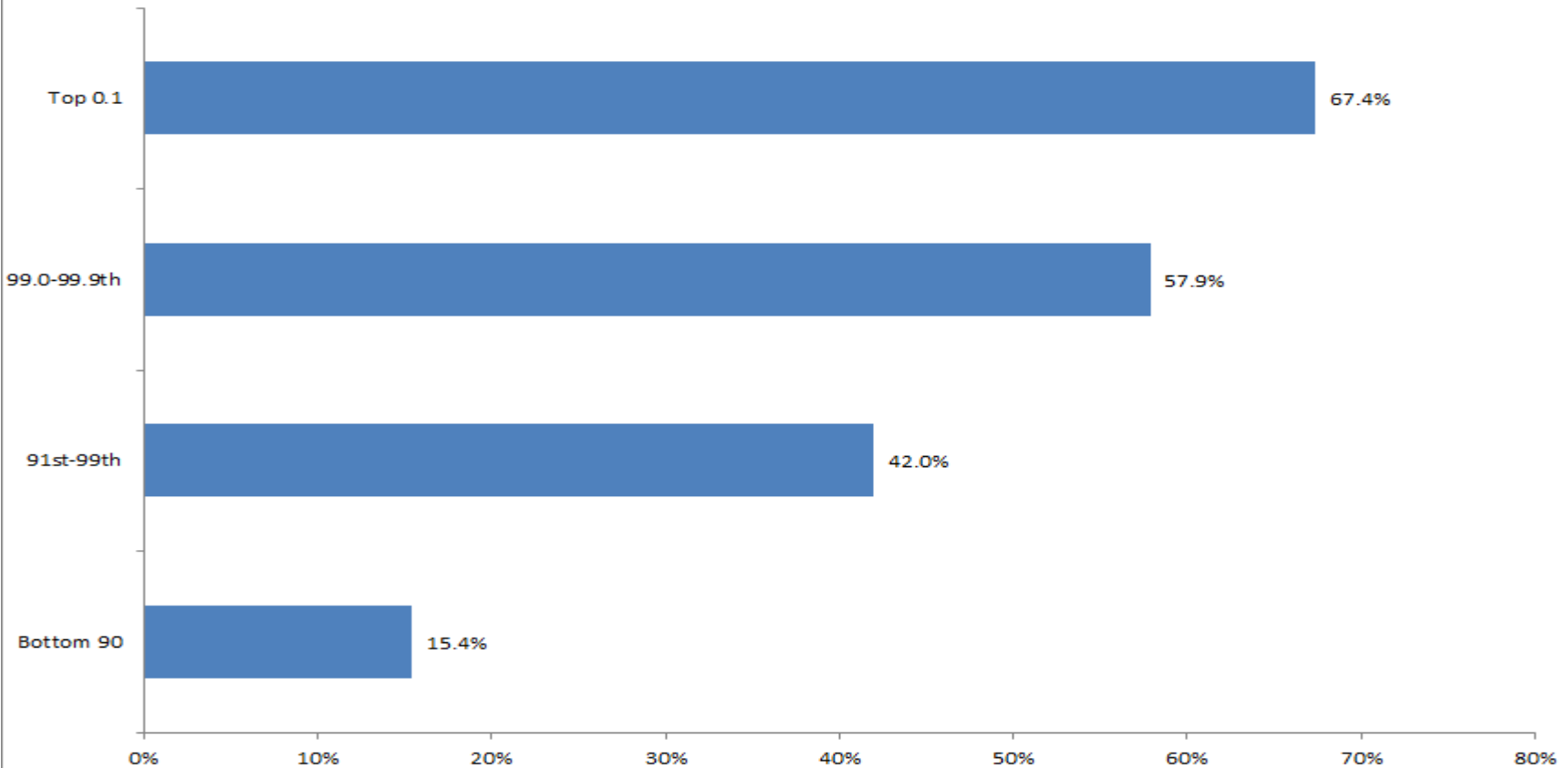
Effective tax rates, Bottom 90 versus Top 0.1 percent  
1915-2014



Source: Piketty, Saez and Zucman (2018). "Distributional National Accounts: Methods and Estimates for the United States." *Quarterly Journal of Economics*, Volume 133 (2).

# Can't tax the top without taxing capital

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



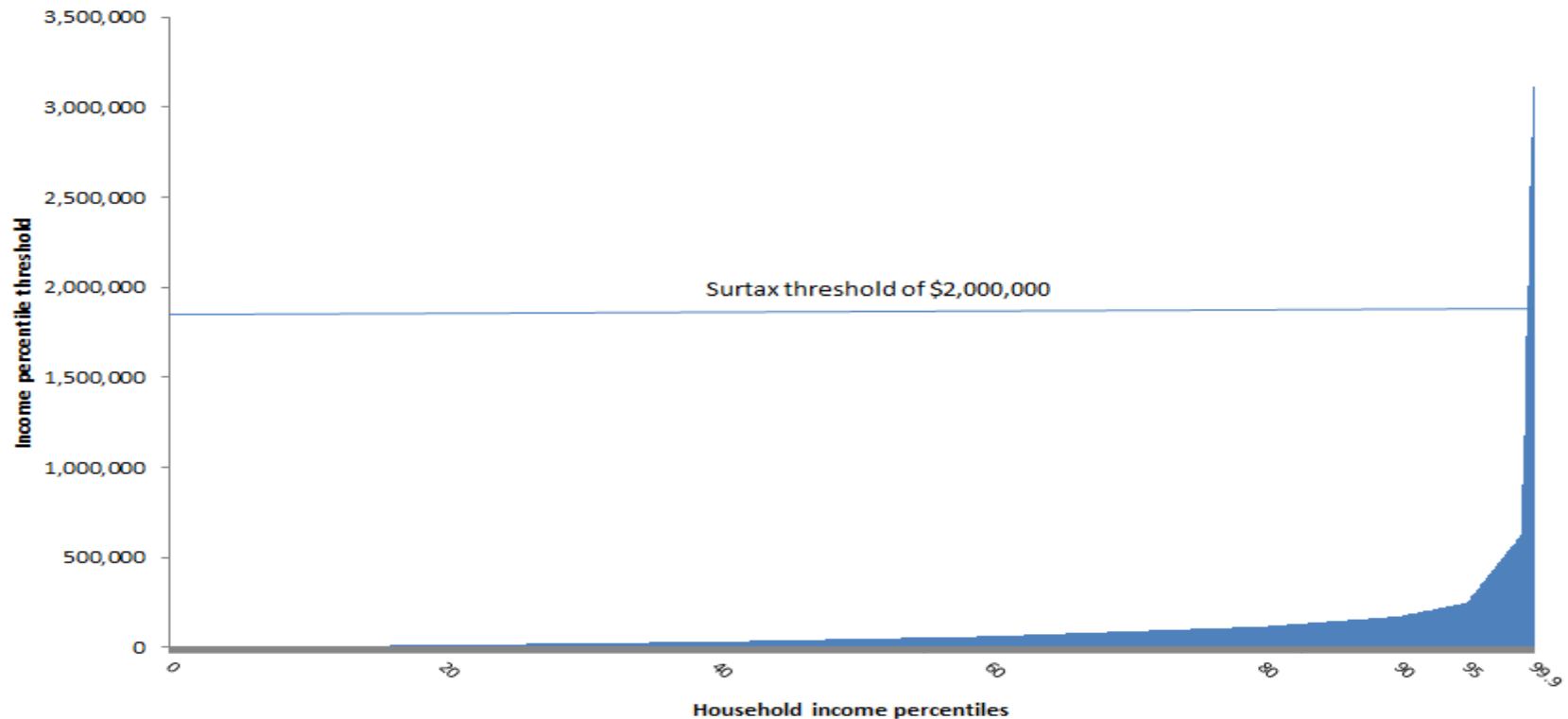
Source: Piketty, Saez and Zucman (2018). "Distributional National Accounts: Methods and Estimates for the United States." *Quarterly Journal of Economics*, Volume 133 (2).

## 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?



Note: Data and sources as described in Bivens, Josh (2019). *Restraining the power of the rich with a 10 percent surtax on incomes over \$2 million*. Working Economics Blog, Economic Policy Institute.

<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 1/3<sup>rd</sup> (and deep poverty by > 50%): ~\$70 billion

