

# CLOSE THE BILLIONAIRES LOOPHOLE— IT'S NOT ABOUT FARMERS



President Biden wants to end the scandal of billionaires not paying taxes by closing a loophole that allows huge wealth gains to permanently escape taxation. Special interests are trying to stop him with phony claims about farmers getting hurt.



## **Billionaires Can Pay Little or No Income Taxes Because Their Kind of Income is Different**

Billionaires and other ultrawealthy people make little if any of their money from a paycheck like you or me. Their income mostly comes from the rising value of their investments, like stocks, real estate and private businesses. These are called “capital gains”. They’re not taxed each year like the W-2 income most people get. In fact, they may never be taxed.

## **Capital Gains Are Only Taxed When You Sell an Asset—And the Rich Don’t Have to Sell**

When you sell an asset for more than you bought it for, capital-gains taxes are owed on the difference. But the rich don’t need to sell their investments to live off them. They can get low-interest loans backed by all their wealth. If they borrow at 3% while the value of their investments is going up 6% a year—a [normal return](#)—they come out ahead. If their wealth increases by a lot more, as a lot of billionaires’ wealth does, they come out way ahead.

## **Billionaires Like Jeff Bezos & Elon Musk Pay Little and Sometimes ZERO Federal Income Taxes**

Because their wealth mostly comes from the growth of their assets and not a paycheck, they can pay little to nothing in taxes some years as long as they don’t sell their assets. Using IRS data, ProPublica showed that between 2014 and 2018, [Bezos’ wealth grew by \\$99 billion](#) but he paid a federal income tax rate equal to just 1% of that gain. That’s probably why he could afford to shoot himself into space. Elon Musk paid just a little over 3% on his nearly \$14 billion in wealth growth during those years. An average working family making \$70,000 a year pays about a 14% federal income-tax rate.

## **Lucky Inheritors of All Those Accumulated Gains Will Never Pay Tax On Them**

A tax loophole called “stepped-up basis,” allows these huge gains in assets enjoyed by billionaires to permanently escape income taxes if the owner never sells them during their lifetime. As soon as all those millions or billions of dollars in wealth growth are inherited, all the gains simply disappear for tax purposes. Poof! No income taxes are ever due.

## **President Biden Wants to Close this Billionaires Loophole So They Pay Taxes**

Biden would allow \$2.5 million of wealth growth per couple—including the increased value of their house—to pass tax free to their kids. Anything over that would be taxed like any other income at the time Jeff Bezos or Elon Musk leave this earth for good. For many billionaire families, this will be the only significant tax increase they will face under the Biden tax plan.

## **Family Farms and Small Businesses Will Not Be Taxed by Closing the Billionaires Loophole**

Biden’s plan allows the heirs of family-owned farms and businesses to defer taxes indefinitely so long as they continue to be owned and operated by family members.

**Don’t be fooled! Billionaires and their politician friends are using scare tactics about family farms and small businesses to stop Congress from closing the Billionaires Loophole.**