



SENATOR RON WYDEN'S BILLIONAIRES INCOME TAX

HOW IT WORKS

The Billionaires Income Tax is [under development by Sen. Ron Wyden](#), chairman of the Senate Finance Committee, and is [supported by President Biden](#). Wyden has not yet released specific details about his proposal, but it is [modeled on a mark-to-market proposal](#) he made in 2019.

Core elements of Wyden's Billionaires Income Tax:

- Billionaires will start paying taxes on their increased wealth each year just like workers pay taxes on their paychecks each year. The tax will apply only to taxpayers whose wealth exceeds \$1 billion: about 700 households out of the nation's roughly [130 million households](#), or .0005% of the total.
- The tax will be assessed annually on tradable assets, such as stocks, mutual funds and derivatives, where the value of the asset is known at the beginning and end of the year, and the owner gets a financial statement. For non-tradable assets, such as ownership in a business or real estate holdings, taxes will be deferred until the asset is sold. Interest will be charged for those years that taxes were avoided and the asset increased in value.
- The tax rate has not yet been determined, but it is likely to be at least the top capital gains rate, which is currently 20% plus a 3.8% net investment income tax.
- Taxes most likely will be payable over a number of years if a large amount is owed.

WHY WE NEED IT

- America's 700-plus billionaires saw their [wealth increase \\$1.8 trillion](#), or 62%, during the first 17 months of the pandemic. That's equivalent to more than half the cost of President Biden's \$3.5 trillion ten-year Build Back Better plan, which will benefit most Americans.
- Based on IRS data, [ProPublica found](#) that billionaires Jeff Bezos paid zero federal income taxes in 2007 and 2011, Elon Musk paid zero in 2018, and Michael Bloomberg paid zero several times in "recent years".
- ProPublica also found that the richest 25 billionaires paid an effective tax rate of just 3.4% on a \$400 billion increase in their collective fortune between 2014-18.
- White House economists found that on average, the wealthiest 400 families paid an effective [federal income tax rate of just over 8%](#) in recent years, when the increased value of their stock is counted. That means billionaires can pay lower tax rates than middle-class workers like teachers, nurses, and firefighters.
- Billionaires pay such low tax rates for two primary reasons:
 - Most of their income comes from the increased value of their investments such as stocks, a business or real estate, rather than a paycheck. They don't have to pay taxes on that increased wealth unless they sell the assets. They don't need to sell those assets because they can use them to borrow money from banks at low rates and live tax free.
 - If they do sell their assets they pay a top capital gains tax rate of 20% (plus a 3.8% net investment income tax). That's far below today's 37% (40.8%) top rate they would pay on an equivalent salary. This is why many ultra-rich pay a lower tax rate than people in the middle class.