Topic

Topic Overview

Resolved: The United States should adopt a wealth tax.

A wealth tax is a form of taxation applied to an individual's assets, which can include properties, land, bank savings, stocks, and businesses, after subtracting any liabilities. The purpose of a wealth tax is to ensure that the wealthiest members of society contribute more, thus helping to mitigate economic inequality. Opinions on the viability of a wealth tax vary widely. Proponents argue that it would create a fairer system by requiring the affluent to pay their fair share, while critics contend that its implementation could be overly complex and potentially detrimental to the economy.

One significant challenge in enacting a wealth tax lies in defining what constitutes 'wealth' and determining an accurate method of measuring it. Wealth can include a broad array of assets, such as real estate, corporate shares, and valuable art, and assigning a precise value to these items can prove difficult. For example, privately owned businesses and unique artworks are hard to appraise because they lack public trading and clear market prices. This ambiguity complicates the calculation of tax liabilities and poses obstacles to the effective execution of a wealth tax.

Lawmakers like Elizabeth Warren and Bernie Sanders have advocated for wealth taxes aimed at individuals with assets exceeding $50 million. They argue that this threshold focuses the tax burden on the richest Americans while sparing the middle class. The $50 million limit was selected to target those who possess substantial wealth without adversely affecting ordinary homeowners or small business proprietors. However, reaching a consensus on what should be taxed and the appropriate rates remains a contentious debate, complicating efforts to establish a fair and effective wealth tax. In countries like France and Sweden, initiatives to introduce wealth taxes encountered significant obstacles due to challenges in fair asset valuation, ultimately leading to their discontinuation.

Further Readings

https://www.pgpf.org/blog/2023/10/what-is-a-wealth-tax-and-should-the-united-states-have-one

https://taxpolicycenter.org/briefing-book/what-wealth-tax

https://www.npr.org/2019/12/05/782135614/how-would-a-wealth-tax-work

https://apnews.com/article/coronavirus-pandemic-joe-biden-business-health-personal-taxes-bb51ab8b987c32e00c743a05d428079c

https://www.forbes.com/advisor/investing/what-is-a-wealth-tax/

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Definitions

Wealth Tax

Investopedia 2010

Investopedia, "Wealth Tax: Definition, Examples, Pros & Cons," June 27, 2010 (https://www.investopedia.com/terms/w/wealth-tax.asp) -JT

A wealth tax is a tax based on the market value of assets owned by a taxpayer.

Value-Criterion

The value I will be upholding in this round will be Equity.

A Wealth Tax can promote equity by making the tax system more progressive and reducing wealth inequality

Fight Inequality .org, "Tax the rich: 9 Reasons for a wealth tax," 2022 (https://www.fightinequality.org/blog/tax-rich-9-reasons-wealth-tax) -JT

The most important rationale for a wealth tax is to reverse the age-old trend of rising inequality. Wealth taxes are meant to move society in the opposite direction, that of promoting equality. Economist Jomo Sundaram stresses the need to "get more revenue from those most able to pay while reducing the burden on the needy."

Surprisingly, both the World Bank and the International Monetary Fund (WB-IMF) have come out in support of a wealth tax to counter rising global inequalities. This surfaced in a joint WB-IMF conference on Oct. 19, 2021, which noted "the persistence in income inequality" and concluded that a "progressive tax policy is one of the prime tools for addressing such inequality."

A third rationale for a wealth tax is to correct the current dominant regressive tax system throughout the world. Even as the wealth of the richest has grown by leaps and bounds, their tax rates have also collapsed. On the other hand, the tax rates of the low-income working classes have become higher than that of the billionaires.

These reversals have become more prominent in the last four decades as governments have implemented tax reforms favoring regressive and consumption taxes while reducing taxes of

corporations and the wealthy. The tax burden has therefore shifted from the upper classes to the poor classes.

This value is upheld through the criterion of Cost Benefit Analysis to better understand why prioritizing equity is worth more over the economic benefit of the few.

Policymakers must make taxation fair and just to promote the economic benefit of the country

International Monetary Fund, "Finance & Development September 1998 - Should Equity Be a Goal of Economic Policy?," September 1, 1998 (https://www.imf.org/external/pubs/ft/fandd/1998/09/imfstaf1.htm) -JT

Fiscal policy—taxation and spending—is a government's most direct tool for redistributing income, in both the short and the long run. However, the effect of redistributive tax policies, especially in the face of globalization, has been small. Policymakers should focus on developing a broadly based, efficient, and easily administered tax system with moderate marginal rates. Although the primary goal of the tax system should be to promote efficiency, policymakers also need to consider how to distribute the burden of taxation so the system is seen as fair and just.

The expenditure side of the budget offers better opportunities than the tax side for redistributing income. The link between income distribution and social spending—especially spending on health and education, through which governments can influence the formation and distribution of human capital—is particularly strong, and public investment in the human capital of the poor can be an efficient way to reduce income inequality over the long run.

The amount of resources governments can and should devote to social expenditures depends on various factors, including the tax-to-GDP ratio and the resources devoted to other spending. Public expenditures should displace private expenditures only when they yield higher social benefits. Priority should be given to the most productive public expenditures, and unproductive public expenditures—for example, excessive military spending, wages for an overstaffed civil service, and budgetary transfers to inefficient public enterprises—should be curtailed.

Contention 1: Middle Class Relief

Wealth Inequality is rising and hurting the economy

Wanhoff 2019

Steve Wamhoff is a Federal Policy Director, "How a Federal Wealth Tax Can Help the Economy," October 2, 2019 (https://itep.org/how-a-federal-wealth-tax-can-help-the-economy/)-JT

Data from inequality researchers Piketty, Saez and Zucman show that Americans in the bottom half of the income distribution have seen their share of total U.S. income fall from 17 percent in 1979 to 11 percent in 2016. Meanwhile, the top 1 percent of the income distribution have seen their share of total U.S. income rise from 12 percent to 21 percent over that same period.

Wealth inequality in the U.S. is even more severe than income inequality. The top 1 percent of Americans defined by net worth have seen their share of total wealth in the U.S. rise from about 23 percent in 1979 to about 39 percent in 2016. Meanwhile, the bottom 90 percent of Americans defined by net worth have seen their share of total U.S. wealth fall from about 34 percent in 1979 to 26 percent in 2016.

Wealth inequality is the compounded effect of years of income inequality. A federal wealth tax can be part of the solution. Inequality itself can slow down the economy. As David Leonhardt wrote today, "A large portion of society's resources are held by a tiny slice of people, who aren't using the resources very efficiently." It is likely more efficient for the government to invest a portion of those resources in ways that will spread them throughout the economy. For example, if tax dollars are collected from millionaires and used to pay those who build highways, provide health care and teach children, that, in effect, builds the middle-class consumers that drive our economy. It is not clear that an economy built around consumption (as ours is) can thrive when resources are locked up among a tiny elite.

The Times article quotes a piece from former Treasury Secretary Lawrence Summers and law professor Natasha Sarin arguing that too aggressively targeting the rich with tax increases would "degrade economic efficiency and punish success in ways unlikely to be good for the country." But the good of the country is not served when millionaires fail to pay for the public investments that allow them to get rich in the first place.

Sen. Bernie Sanders' proposed wealth tax only applies to net worth in excess of $32 million, while Sen. Elizabeth Warren's wealth tax would apply only to net worth in excess of $50 million. It is difficult to believe that as people see their wealth approach these thresholds they will stop working or investing in numbers significant enough to outweigh the positive impact of the public goods that can be produced with the revenue raised.

Wealth Inequality kills 21k people a day; wealth tax helps save lives
Collins 2024

Chuck Collins for CNN Business Perspectives, "Taxing extreme wealth could lift 2.3 billion people out of poverty," October 27, 2024. (https://www.cnn.com/2022/01/19/perspectives/inequality-poverty-wealth-tax/index.html) -JT

The pandemic has shone a spotlight on how inequality kills. As inequalities in income, wealth and access to health care have accelerated, the world's most economically precarious people have suffered far

more than their fair share of death and economic loss. As a new Oxfam report points out, inequality contributes to the deaths of more than 21,000 people each day. And make no mistake — the pandemic is making inequality worse. Oxfam reports that 99% of the world's workers earned less money than they would have if the pandemic hadn't happened. Meanwhile, the world's 500 richest people saw their wealth increase by $1 trillion last year. And here in the US, the combined wealth of our 745 billionaires has increased by over $2 trillion since the pandemic began.

These extreme inequalities are the preexisting condition that made our society more vulnerable to disease and undermined a robust global public health response. But sometimes the medicine is found alongside the disease. This unprecedented global concentration of wealth has launched a global movement to tax the wealth of the richest individuals to fund health care. According to a new report published by Fight Inequality Alliance, the Institute for Policy Studies, Oxfam and Patriotic Millionaires, a small, annual wealth tax on the world's wealthiest billionaires and multi-millionaires could raise over $2.5 trillion each year. (That's based on a graduated rate structure of a 2% tax on wealth over $5 million, 3% on wealth over $50 million, and 5% on wealth over $1 billion.)

This is enough revenue to lift 2.3 billion people out of poverty, vaccinate the entire world, and deliver universal health care and social protection for all citizens of low and lower-middle-income countries — an estimated 3.6 billion people. Here in the United States, a tax like that could raise nearly $930 billion a year. And with a more progressive rate structure — say, a 10% rate on wealth over $1 billion — it could raise over $1 trillion. Numbers like that could put us on the path to universal health care, a decarbonized economy, and much more.

A Wealth Tax closes the income tax loophole the rich use to evade income taxes

Marr 2021

Chuck Marr editor for the Center on Budget and Policy Priorities "ProPublica Shows How Little the Wealthiest Pay in Taxes: Policymakers Should Respond Accordingly" July 15, 2021. (https://www.cbpp.org/research/federal-tax/propublica-shows-how-little-the-wealthiest-pay-in-taxes-policymakers-should) -JT

The main federal tax is the individual income tax, which accounts for roughly half of all federal revenue and which tens of millions of middle-class people pay throughout the year as employers withhold taxes from their paychecks. To a great degree, however, the income tax is essentially voluntary for the nation's richest people. Much of their income comes in the form of gains in the value of their stocks and other assets, and they can avoid taxes on those gains if they hold on to their assets rather than sell them. When high-income households do pay tax on their income from their assets — such as capital gains and dividends — they pay at tax rates that are far lower than the tax rates they would pay on wages and salaries.

These tax breaks, which policymakers have expanded in recent years, help to widen the enormous gaps in income and wealth between the nation's richest people and everyone else. The top 1 percent of households in terms of income receive the vast majority of capital gains and a large chunk of dividend

income, and they are reaping most of the benefits of a new deduction, enacted in the 2017 tax-cut law, for what's known as "pass-through" income, which the owners of partnerships and certain other businesses report on their individual tax returns.

To address these flaws in the tax code, the President and Congress should:

Make more income of the wealthiest households (e.g., their unrealized capital gains) taxable each year, or at least at some point — as it would be under President Biden's proposal to tax people's capital gains that have escaped taxation throughout their lifetimes when they die.

Reduce tax breaks tied to the income of the wealthiest households — such as Biden's proposal to eliminate the lower tax rates on capital gains and dividends for those with incomes over $1 million, to tax that income at the same top tax rate as for salaries and interest, and to eliminate the deduction for pass-through income created in 2017. A surtax on the incomes of millionaires should also be strongly considered.

Bolster other taxes, such as the corporate income tax and the estate tax, that fall most heavily on the wealthiest households.

Contention 2: Reduce Income Inequality

We should tax wealth not work; increasing equality

Pulliam 2022

Christopher Pulliam is a Former Research Analyst at the Center for Economic Security and Opportunity, "Tax wealth, reward work," March 9, 2022. (https://www.brookings.edu/articles/tax-wealth-reward-work/)-JT

In A New Contract with the Middle Class, Richard Reeves and Isabel Sawhill propose a broad policy agenda focused on the middle class. One guiding theme of the Contract is to tax wealth and reward work. Reeves and Sawhill argue that middle-class prosperity must be based primarily on rewarding work. "Americans value work far more than people in many other countries. Work is, of course, a means to an end—more income. But it is more than that. It is also a source of identity, self-respect, connection to others and sense of purpose. It is also essential to a well-functioning society. The pandemic revealed how much we depend on the workers who produce our food, deliver packages, care for the elderly, and clean our schools, offices, and hospitals."

In service of better rewarding work, Reeves and Sawhill propose several pro-work policies:

A $12 per hour federal minimum wage floor, but with higher rates in many areas

Worker tax credits for the bottom half of wage earners, administered through an offset to their payroll taxes

Tax incentives for corporations to train their workers and share profits broadly

Labor law reform and workers' councils to strengthen employee engagement and bargaining power

Adequate fiscal and monetary stimulus to create and maintain full employment

Abolish income tax for most of the middle class…

Reeves and Sawhill pair these reforms with scholarships for service, while also giving the middle class a tax break. They propose eliminating income tax by raising the standard deduction for most middle-class families—specifically, any married couple making less than $100,000 a year or any single person making less than $50,000. This is an average tax cut of around $1,600 for middle-class families. It would also mean that for most Americans, "April 15 would be just another spring day," as Columbia law professor, Michael Graetz puts it.

…by taxing wealth more

To make up for the lost revenue, Reeves and Sawhill propose taxing carbon and consumption. But they also argue for more taxation of capital. Capital is lightly taxed in the U.S. compared to earned income. This is backward. Instead of hitting work, Reeves and Sawhill argue, we should aim to tax wealth. Unfortunately, direct wealth taxes are tough to administer; it is far simpler to eliminate step-up basis at death and expand the estate tax. These two measures would raise around $135 billion a year. Reeves and Sawhill also support raising the corporate tax to 25 percent, expensing investment (to encourage growth) and eliminating corporate interest deductions (to put debt and equity financing on a level playing field).

This combination of rewarding work while taxing wealth would help to shift economic dynamics back towards the middle class, according to Reeves and Sawhill. A prosperous middle class provides the foundation stone for a strong society and a healthy democracy.

Effective Wealth Tax models exist, such as that of Spain, that the US could adopt to combat wealth inequality

Leahey 2022

Andrew Leahey went to the Drexel University School of Law and is an editor at Bloomberg Tax, "Closing the racial wealth gap requires heavy, progressive taxation of wealth," March 9, 2022. (https://www.brookings.edu/articles/closing-the-racial-wealth-gap-requires-heavy-progressive-taxation-of-wealth/)-JT

Arguments for and against wealth taxes regularly appear in global policy discussions. Spain's wealth tax has proven to be a significant source of revenue, which raises questions of its potential applicability in other countries—including the US. As governments around the world face budget shortfalls and rising

inequality, Spain's experience with a wealth tax on the top 0.5% wealthiest individuals is a compelling case study.

Economic disparity has been a policy talking point in the US for decades and is getting extra attention this election year. Though implementing a wealth tax isn't a new idea, the specifics of how it might work have always been theoretical. The Spanish wealth tax model provides a tangible real-world example that could be applied to the US economy.

Spain's progressive wealth tax was originally introduced in 1977, abolished in 2008, and reintroduced in 2011. The tax rates depend on individuals' net wealth, and the tax is levied annually, with some regional variation. The tax base includes the value of the individual's assets, minus any liabilities, with some exemptions for high-value assets, family businesses, and primary residences that fall below specific thresholds—as well as intellectual property. The lowest rate of 1.7% applies to Spanish taxpayers whose net worth is about $2 million after exemptions.

Spain estimates the tax raises 1.85 billion euros ($2.1 billion) annually, but the Tax Justice Network suggests that, absent permissive exemptions present in the Spanish policy, the figure could be closer to 10.7 billion euros. Models applying the Spanish wealth tax to the world economy suggest a similar policy could raise more than $2 trillion globally and lead to an average 7% increase in state budgets each year. But how could a similar tax be implemented in the US, where the top 0.1% of wealth holders control approximately $20 trillion in assets? Applying even the lowest rate from the Spanish model would mean a $340 billion annual tax revenue increase.

That amount would constitute a 7% increase in federal tax revenue, which was approximately $4.4 trillion in 2023—providing substantial funds for public services or debt reduction. In 2022, the last year for which complete data is available, the federal government spent about $1.2 trillion on welfare programs.

Earmarking wealth tax revenue for welfare programs would mean an immediate increase in funding by nearly 25%. Doing the same for debt reduction would lead to just shy of a 1% reduction of the national debt—which stands at around $35 trillion—each year. Wealth tax opponents are often concerned about wealth mobility, or the notion that if you tax the wealthy in your country, they'll leave. But exit taxes for relocating wealth abroad, and phased implementation alongside other jurisdictions, could help solve this issue. The key will be simultaneously placing a cost on exporting wealth and coordinating with other countries to reduce the number of wealth tax-free havens.

Wealth Taxes reduce wealth inequality without hurting economic growth

Mattauch 2022

Dr Linus Mattauch is a Senior Research Officer at INET, funded through a postdoctoral scholarship of the German Academic Exchange Service., "Closing the racial wealth gap requires heavy, progressive taxation of wealth," March 9, 2022. (https://www.brookings.edu/articles/closing-the-racial-wealth-gap-requires-heavy-progressive-taxation-of-wealth/)-JT

Economic inequality has risen significantly within major economies around the world in the past few decades. The disparity appears especially pronounced when one considers inequality in wealth ownership. In China, Russia, and the United States, the wealth share of the top 1 percent has roughly doubled. At the global level, the top 1 percent wealth share has increased by 5 percentage points since 1980, while the share of the bottom 75 percent remained constant at around 10 percent (see figure 1 and Alvaredo et al. 2018).

In a highly globalized and technologically advanced world, policies for redistribution that mainly rely on wage income taxes are no longer sufficient to counteract this trend.[1] An increased concentration of wealth owned by a small share of society further deepens income disparities: The reason is that wealth, if well invested, generates additional income. This process is illustrated by the unequal development of income shares over the last decades: While income shares of the top 1 percent and 10 percent grew by several percentage points in China, India, Europe, Russia, and the United States since 1980, the bottom 50 percent income shares fell by several percentage points over the same timespan (Alvaredo et al., 2018).

An alternative way of slowing down or reversing the trend in wealth inequality would be to tax the returns to wealth directly, instead of taxing wages. However, traditional economic analysis has pointed out two important arguments why taxing wealth is not a good idea. First, if wealth is understood to be productive capital, such as machines, houses, etc., then taxing its returns is particularly inefficient. It reduces growth more strongly than other taxes would because it reduces incentives to invest in productive capital. Second, even if capital taxes are introduced only for the purpose of redistribution, they might not achieve that objective either. This has to do with who ultimately bears the burden of the tax. The rich might be able to pass on to the poor the cost of increased capital taxes by shifting that cost onto wages (Stiglitz, 2016).

Recent research, to which we have contributed, shows better ways to think about taxing wealth that avoid the two classic objections. Wealth taxes can reduce wealth disparities without compromising efficiency; it can sometimes even increase economic growth. One way is to realize that wealth not only consists of producible capital, but also of non-producible (or ``fixed'') factors. Fixed factors generate rents—that is, payments in excess of what is needed to sustain production. Taxing these rents can enhance efficiency and, potentially, reduce inequality. Another way is to use capital tax revenue not for direct redistribution but rather for financing public investment, which is severely under-funded in rich countries (see Bom and Ligthart, 2014). This under-funding is illustrated by the fact that public wealth as a share of national wealth has fallen in major economies (see figure 2). In France, for example, public wealth decreased from around 20 percent to 3 percent over the course of the last four decades; and spending on public construction in the United States has fallen to 1.4 percent of GDP in 2017, the lowest share on record (The Economist, 2017).

Contention 3: Public Services

The US gravely need infrastructure funds which a wealth tax can generate

Kane 2024

Joseph W. Kane is a Senior Policy Analyst, "Seizing the U.S. infrastructure opportunity: Investing in current and future workers," Center on Budget and Policy Priorities, March 4, 2024. (https://www.brookings.edu/articles/infrastructure-workforce/)-JT

President Biden's American Jobs Plan, which would finance high-return infrastructure investments partly by undoing some of the dramatic 2017 corporate tax cuts, would make the tax code fairer and raise substantial revenue without undermining economic growth. Our newly updated paper has the details, including analyses from Moody's Analytics and International Monetary Fund (IMF) researchers with further evidence on the equity and growth benefits of this approach.

The 2017 law slashed the corporate rate from 35 to 21 percent. The Jobs Plan would raise the rate to 28 percent and reduce tax incentives for companies to shift profits and investments overseas. Critics of progressive tax changes like these often don't acknowledge the benefits of the investments that the added revenue makes possible. In contrast, a recent analysis by Mark Zandi and Bernard Yaros of Moody's Analytics estimated the combined effects of the Jobs Plan's infrastructure investments — in broadband, roads and bridges, and research and development — and its corporate tax increases. Using a model similar to those used by the Congressional Budget Office and Federal Reserve Board, they found that:

"Despite the higher corporate taxes and the larger government deficits, the plan provides a meaningful boost to the nation's long-term economic growth," with "higher GDP [gross domestic product], more jobs and lower unemployment."

The plan would produce an estimated 2.7 million jobs, most of which would go to people with lower incomes. The net positive economic effects arise from the large returns to infrastructure investments and modest impacts of partially undoing of the 2017 corporate tax cuts. "Long term, economic research is in strong agreement that public infrastructure provides a significantly positive contribution to GDP and employment," the Moody's report explained. Yet combined federal, state, and local infrastructure investment has fallen for more than half a century, according to the report, from around 6 percent of GDP in the 1950's and 1960's to under 1 percent today.

Corporations that operate in the United States derive considerable benefit from the federal government. They rely heavily on our roads, airports, and ports to move their goods and employees, and they benefit from the large spillover effects of government-funded research and development. By asking profitable corporations to pay more for these services and to fund new public investments with broadly shared benefits, the American Jobs Plan would help create a more equitable nation.

Infrastructure funding creates economic growth and stability while increasing jobs simultaneously

Kane 2022

Joseph W. Kane is a Fellow at Brookings Metro, " Seizing the U.S. infrastructure opportunity: Investing in current and future workers," December 2022. (https://www.cbpp.org/)-JT

Investing in infrastructure can stimulate economic growth and unleash job creation nationally. Whether building roads, repairing pipes, or upgrading power plants, investments in the country's transportation, water, energy, and broadband systems not only supports more economic output, but also drives the need for more workers. Several new pieces of federal legislation—including the Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act (IRA), and the CHIPS and Science Act—are pumping hundreds of billions of dollars toward new projects and new jobs and are launching generational levels of investment not seen since the New Deal.

But national, state, and local leaders risk squandering this generational window of infrastructure investment if they only focus on future job creation without addressing the cracking foundation of the country's current workforce.

Infrastructure investment already supports millions of workers nationally. Moving goods, producing energy, managing water, and carrying out many other essential activities depends on workers across every corner of the country and is foundational to economic growth and opportunity. Yet, hiring, training, and retention gaps remain vast across this workforce, as fewer workers are entering these careers and more workers are retiring and leaving these jobs than ever before. At the same time, too few of these job opportunities are filled by younger students, women, and people of color.

How can leaders expand the future infrastructure workforce if they cannot even hold onto the current infrastructure workforce? This report aims to equip leaders with more consistent data and information to better target, measure, and address their infrastructure workforce needs. It builds off past Brookings research to provide an updated look at current U.S. infrastructure employment, showing the hurdles faced by individual workers to fill these jobs and grow their careers.

95 infrastructure occupations employ 16.6 million workers nationally.

Young prospective workers face many potential pathways in the infrastructure sector, whether looking to become an electrician, plumber, or civil engineer and joining 16.6 million other workers nationally (11.8% of the country's workforce). Most of these careers are involved in operating and maintaining roads, pipes, power lines, and other systems, rather than simply constructing them, leading to long-term job opportunities.

Infrastructure occupations pay 30% higher wages to lower-income workers.

They can also earn higher pay. Infrastructure occupations pay 30% higher wages to workers at lower income levels, supporting more equitable career pathways. In particular, they pay $31,750 and $39,270 at the 10th and 25th percentile, respectively, compared to $23,980 and $29,950 for all occupations at these percentiles. Large occupations paying higher wages range from bus and truck mechanics, to highway maintenance workers, to electrical power-line installers, and include many unionized positions. This means higher pay for workers just entering the labor market or transitioning into these positions for the first time, offering more opportunity to those grabbing the bottom rungs of the career ladder.

A wealth tax will help the economy

Wamoff 2019

Steve Wamhoff is a Federal Policy Director at the Institute on Taxation and Economic Policy, "How a Federal Wealth Tax Can Help the Economy," October 2, 2019. (https://itep.org/how-a-federal-wealth-tax-can-help-the-economy/)-JT

Yesterday, a New York Times article explained that proponents of a federal wealth tax hope to address exploding inequality but then went on to discuss the fears of some billionaires and economic policymakers that such a tax "would cripple economic growth, sap the motivation of entrepreneurs who aspire to be multimillionaires and set off a search for loopholes." A wealth tax will not damage our economy and instead would likely improve it. Here's why.

Whatever cost a tax imposes must be balanced against the benefit of the investments the government makes with the revenue raised. For example, federal taxes are a cost for Jeff Bezos, but without the highways that are financed by federal taxes—which Amazon uses to deliver goods—he would not be a billionaire today. This investment benefits all of us, but it particularly benefits those who make a fortune from American commerce.

Today highways and other types of public infrastructure are underfunded, which is just one example of our neglect of public investments. The American Society of Civil Engineers (ASCE) estimated that the U.S. needed to increase its infrastructure spending by $1.4 trillion from 2016 through 2025. The ASCE estimated that leaving that funding gap in place would ultimately hurt the U.S. by reducing GDP by $4 trillion over that period. That's not efficient for the country as a whole and, in the end, it is not helpful for entrepreneurs either.

The Times article quotes a piece from former Treasury Secretary Lawrence Summers and law professor Natasha Sarin arguing that too aggressively targeting the rich with tax increases would "degrade economic efficiency and punish success in ways unlikely to be good for the country." But the good of the country is not served when millionaires fail to pay for the public investments that allow them to get rich in the first place.

Sen. Bernie Sanders' proposed wealth tax only applies to net worth in excess of $32 million, while Sen. Elizabeth Warren's wealth tax would apply only to net worth in excess of $50 million. It is difficult to believe that as people see their wealth approach these thresholds they will stop working or investing in numbers significant enough to outweigh the positive impact of the public goods that can be produced with the revenue raised.

Extensions: Middle Class Harms

Current tax code hurts middle class

Davis 2024

Carl Davis is a Research Director at the Institute on Taxation and Economic Policy, "In Most States, the Tax Code Makes Inequality Worse," January 9, 2024. (https://itep.org/who-pays-most-states-tax-code-makes-inequality-worse/)-JT

The vast majority of state and local tax systems are upside-down, with the wealthy paying a far lesser share of their income in taxes than low- and middle-income families. Yet a few states have made strides to buck that trend and have tax codes that are somewhat progressive and therefore do not worsen inequality. Those are the high-level findings of the latest edition of our flagship Who Pays? report – the only distributional analysis of tax systems in all 50 states and the District of Columbia.

The overall regressivity in state and local tax codes is in large part the result of weak or nonexistent personal income taxes in many states. In those states, much of the income of the very wealthy avoids tax altogether, and there is a larger reliance on more regressive taxes like sales and excise taxes. Meanwhile, progressivity at the bottom of state and local tax codes is being largely driven by strong, refundable credits, like Child Tax Credits and Earned Income Tax Credits.

Here are some of the other important takeaways in this 7th edition of Who Pays?: Tax systems in 44 states exacerbate inequality by making incomes more unequal after collecting state and local taxes, while systems in six states plus D.C. reduce inequality.

On average, the lowest-income 20 percent of taxpayers face a state and local tax rate nearly 60 percent higher than the top 1 percent of households. The nationwide average effective state and local tax rate is 11.4 percent for the lowest-income 20 percent of individuals and families, 10.5 percent for the middle 20 percent, and 7.2 percent for the top 1 percent. In all, 41 states tax the top 1 percent less than every other income group. Similarly, 42 tax the top 1 percent less than the bottom 20 percent, and 46 tax the top 1 percent less than the middle 20 percent. Most (35) states tax their poorest residents at a higher rate than any other group. The 10 most regressive states are (in order of most to least regressive): Florida, Washington, Tennessee, Pennsylvania, Nevada, South Dakota, Texas, Illinois, Arkansas, Louisiana.

The 10 least regressive jurisdictions are (starting with least): D.C., Minnesota, Vermont, New York, California, New Jersey, Maine, Massachusetts, New Mexico, Oregon. (The first seven of these have tax systems that are not regressive and therefore do not worsen inequality.)

A mix of recent policy changes have worsened, or alleviated, regressivity in state tax systems depending on the choices made by lawmakers. This edition of Who Pays? includes 34 alternative analyses that show what the distribution of some states' taxes would look like if certain policy changes had not been made, as well as what they would look like today if future planned changes had already taken effect.

Some of these changes are dramatically reshaping the landscape of state tax law.

For instance, by undoing a 2020 voter-approved tax increase on the wealthy and then cutting income taxes instead, Arizona's recent changes have led it to drop to 13th most regressive from what would have been 27th—had the voters' will been heeded and no further tax changes made. And a flurry of tax cuts enacted since 2017 have dropped Kentucky to 17th most regressive from 30th. Tax cutting in the

Bluegrass state is ongoing and, if fully implemented, will eventually drop Kentucky to 8th most regressive.

US taxes currently destroy the middle class

Witko 2022

Christopher Witko is a Professor of Public Policy and Political Science at Penn State and Co-leader of the Central Pennsylvania Chapter of the Scholars Strategy Network., "The U.S. tax system is grossly unfair to the middle class," April 18, 2022. (https://www.pennlive.com/opinion/2022/04/the-us-tax-system-is-grossly-unfair-to-the-middle-class-opinion.html) -JT

In the 1950s the top marginal tax rate on income was 90%. In recent decades as more wealth and income have accumulated in the hands of the rich the tax rates they pay have been lowered. The top rate on individual income has declined from 70% in 1980 to 37% in 2022. The top tax rate on long-term capital gains (i.e. income from investments) has declined from approximately 40% in the late 1970s to just 20% now. The U.S. still has quite a progressive tax system for income earned from wages, but this progressivity has declined considerably in recent decades as a result of tax cuts for the wealthy. Because capital gains are taxed at much lower rates than labor income, the effective tax rate for wealthy individuals is lower than many middle class Americans.

It is unfair that hard working Americans pay more than wealthy investors as a share of their income. Research finds that lower tax rates are also associated with higher income inequality, contributing making America a very economically unequal society compared to other affluent democracies. There is some debate on just how much it has increased, but conservative estimates indicate that income inequality has grown considerably since the 1970s.

The pandemic has taken a toll on many but has been lucrative for the super-rich. According to a report by Forbes, American billionaires saw their combined wealth increase from $3.4 trillion to $4.6 trillion from January 1st 2020, to April of 2021. More broadly, over the last four decades the wealthiest Americans have seen their incomes grow much faster than those at the bottom of the income distribution.

Keeping taxes low for the wealthy would make sense if this actually did “trickle down” to create enough growth to maintain tax revenue or create more jobs. But research shows that tax cuts generally do not stimulate economic growth or increase employment.

This one issue where the public gets it. Most Americans think that the wealthy pay too little in taxes. Two-thirds of Americans, including a majority of Republicans, believe that the wealthy should pay taxes on a portion of their wealth each year and a majority of Americans would support increasing the top marginal income tax rate to 70%.

Why, then, are taxes on the wealthy not higher? As my research with colleagues shows, the wealthy have an outsized ability to shape the issues that policy makers in DC pay attention to and ultimately to shape policy outcomes.

While both parties have contributed to inequality-growing, unfair tax cuts for the wealthy, when the Democrats are in charge, the middle class has a larger voice in decisions. Some economists and politicians like Elizabeth Warren have advocated a wealth tax for some time, and President Biden has recently embraced this approach, much like Democratic administrations from FDR to LBJ used tax policy to reduce inequality. A wealth tax would both reduce economic inequality and increase revenue available for important programs ranging from education to defense. But there are certainly other methods of raising revenue and increasing tax fairness, like raising the top marginal tax rate and creating additional brackets for higher incomes.

Very few are suggesting we return to the tax rates of the 1970s, let alone the 1950s. And most Americans are happy to see people who build a better mousetrap (or online mega store) get very rich. But the current U.S. tax system is grossly unfair, exacerbates inequality, and results in precarious funding of much-needed programs. With Democrats likely to lose control of the Congress after the midterm elections, the Congress and President Biden should seize the opportunity they have right now to reverse the multi-decade increase in tax unfairness and associated inequality by hiking taxes on the super wealthy.

The wealthy benefit from current US tax code

Hanlon 2021

Seth Hanlon is a Former Acting Vice President at American Progress, "Addressing Tax System Failings That Favor Billionaires and Corporations - Center for American Progress," November 7, 2021. (https://www.americanprogress.org/article/addressing-tax-system-failings-favor-billionaires-corporations/)-JT

Recent bombshell reports from ProPublica have confirmed what tax experts have long known and what many Americans have long suspected: Many of the country's wealthiest people pay little or no tax because the U.S. system preferences income from wealth and offers the wealthy and corporations avenues to avoid tax that are not available to working people.[1] These fundamental flaws in the tax code existed many years before the 2017 Tax Cuts and Jobs Act (TCJA) took things from bad to worse by giving massive new tax cuts to the highest-income Americans and largest corporations.[2] These flaws have helped fuel the dramatic increase in inequality, leading to a less dynamic and less just economy.

This report explains the extent of income and wealth inequality today and how President Biden's Build Back Better agenda addresses three fundamental problems with the tax code while raising $3.6 trillion in revenue to support investments in an inclusive, high-growth economy. These three problems have undermined tax fairness, increased inequality, and reduced revenues:

Billionaires paying virtually no taxes. The rich and corporations not paying the taxes that they already owe. The report then suggests several options not included in the Build Back Better plan that Congress can consider to efficiently raise additional revenue from the wealthy and corporations. Given this surplus of options, there is no excuse for Congress to shortchange vital national investments in the reconciliation bill.

The past several decades in the United States have been characterized by increasing income and wealth inequality and slowing productivity and economic growth. The incomes of the richest 1 percent have skyrocketed in relation to those of ordinary Americans—and the very richest 0.1 percent have seen their after-tax incomes shoot upward even faster.

The failure of the tax system to tax income from wealth comparably to income from work—and most fundamentally, the fact that huge amounts of income from wealth escape tax altogether. The erosion of corporate taxes during an era of surging corporate profits. The weakening of tax enforcement, especially with regard to wealthy individuals and corporations, which has drained hundreds of billions from the U.S. Treasury

Billionaires do not pay taxes on trillions of dollars of capital gains. On June 8, the investigative news outlet ProPublica revealed that the 25 richest people in the United States paid a "true" tax rate of just 3.4 percent, on average. Three of the five richest people in the country—multibillionaires Jeff Bezos, Warren Buffett, and Elon Musk—paid even less.

How is this possible? The extremely wealthy amass wealth not by earning paychecks, but from gains in the value of assets they own, such as stocks, other types of stakes in businesses, and real estate. Those individuals get richer and are better off because of those capital gains, yet the current tax system does not count these gains as income until they are realized—that is, when an asset is sold. That allows individuals to amass billions of dollars in wealth—and now even hundreds of billions—without reporting it on their tax returns and, thus, without paying a penny of tax on it. By contrast, regular working Americans have taxes withheld from their paychecks in real time.

ProPublica's "true tax rate" measure includes unrealized capital gains in a person's income—and therefore, gives a more comprehensive view than tax rate measures that only include income reported on tax returns. Taking unrealized gains into account illustrates just how little the superwealthy are paying in taxes in relation to their actual economic income.

The nontaxation of unrealized capital gains gives the wealthy an extremely valuable deferral benefit: Their wealth, plus the tax savings, compounds over time. And they can enjoy all the benefits of their wealth—including economic power and the ability to live extraordinarily lavish lifestyles—by taking loans that do not trigger capital gains tax.

Furthermore, if individuals never sell assets, they will never pay income taxes on their gains. Gains on held assets are not taxed as income due to a provision called stepped-up basis. Tax attorney Hank Gutman, the former chief of staff of the bipartisan congressional Joint Committee on Taxation, recently testified to Congress that stepped-up basis "is perhaps the most glaring loophole in the income tax—the complete exemption of the bulk of the wealth accumulation of the super-rich from income tax."

Economists Gabriel Zucman and Emmanuel Saez estimated in April 2021 that 63 percent of the total $4.26 trillion of U.S. billionaires' wealth consists of unrealized capital gains that have never been taxed.13 Much of it will never be subject to income tax because of stepped-up basis.

Gains realized through selling assets, meanwhile, are generally considered income and taxed—but at preferential rates. The top capital gains tax rate is currently 20 percent, while the top ordinary income tax rate is 37 percent. When Medicare-related taxes are included, these rates are 23.8 percent and 40.8 percent, respectively. Congress should raise the top capital gains rate—but if policymakers are truly

dedicated to ensuring that the tax system does not favor income from wealth over income from work, this step is not enough. The rate only matters if capital gains are taxed in the first place, which the existing system often fails to do.

Fortune 400 individuals pay less taxes than the average American

Hanlon 2021

Seth Hanlon is the Former Acting Vice President at the Center for American Progress, "The Forbes 400 Pay Lower Tax Rates Than Many Ordinary Americans - Center for American Progress," November 5, 2021. (https://www.americanprogress.org/article/forbes-400-pay-lower-tax-rates-many-ordinary-americans/)-JT

A study by White House economists released on September 23 found that the 400 wealthiest U.S. families paid an average income tax rate of just 8.2 percent from 2010 to 2018. This column examines how that low tax rate compares with what ordinary people pay, using six examples of typical workers and families. It illustrates how wages are taxed at higher rates than income derived from wealth and demonstrates how this tiered rate system benefits the richest members of American society. Congress has a rare chance to fix these fundamental problems by passing the Build Back Better agenda, which would expand tax credits for working families and reform the tax treatment of income from wealth.

The Forbes 400 paid an average income tax rate of 8.2 percent from 2010 to 2018.

The study, by economists Greg Leiserson of the Council of Economic Advisers and Danny Yagan of the Office of Management and Budget, used annual “Forbes 400” lists and public data to estimate the incomes and federal income taxes paid by members of that elite group. The main reason the top 400 pay such a low tax rate is that a very large share of their income is in the form of unrealized capital gains—appreciation in the value of their assets, mostly stocks and other business interests. Because of a tax code feature known as “stepped-up basis,” unrealized gain on an asset is never subject to income tax if the asset is not sold during the owner’s lifetime. As a result, much of the income of the wealthiest families in the country never appears on their income tax returns.

In contrast to the White House analysis, many effective tax rate measures exclude unrealized gains, meaning they are incomplete when it comes to the very wealthy. The measure of income used in the White House study—one that includes unrealized gains—provides a broader perspective. This approach to measuring income comes close to the concept known as “Haig-Simons” income: consumption plus change in net wealth. The congressional Joint Committee on Taxation has said that, “Economists generally agree that, in theory, a Haig-Simons measure of income is the best measure of economic well-being.”

A similar approach can be extended to measuring the effective tax rates paid by typical nonwealthy Americans. If one is using a broad measure of income for the very wealthy, then one should use a similarly broad measure of income for the nonwealthy. This analysis considers a more comprehensive measure that includes forms of economic income that do not appear on tax returns, including tax-free

employee benefits; unrealized gains on assets such as homes and retirement accounts; and, for homeowners, the value that they derive from living in the home they own.

Many typical middle-class families pay higher tax rates than the ultrawealthy. The examples below illustrate how many typical middle-class Americans pay higher tax rates than the wealthiest 400 people in the country. The six example families considered below include workers with different incomes, assets, and family situations: some who rent their home and some who own, some who have student loans, and some with child care expenses. The analysis ascribes home and retirement account values that would be typical for families of certain income levels and assumes that those assets grow in value according to their historical averages.

A small wealth tax could generate the funds needed to fund infrastructure the US desperately needs

Wasson 2021

Erik Wasson is an editor at Bloomberg News, "How a Federal Wealth Tax Can Help the Economy," March 1, 2021 (https://itep.org/how-a-federal-wealth-tax-can-help-the-economy/)-JT

Sen. Elizabeth Warren said her proposed wealth tax on households worth more than $50 million could help pay for investments in infrastructure, child care and health reforms as part of President Joe Biden's plan to "Build Back Better" after the coronavirus pandemic that has disproportionately hit low-income families.

"We need to turn to infrastructure, child care, pre-K, college. We need to turn to the things that create investment and opportunity going forward and to do that, a wealth tax is the best way to pay for it," Warren said.

Warren, along with Rep. Pramila Jayapal and Rep. Brendan Boyle, said the tax they unveiled March 1, dubbed the Ultra-Millionaire Tax Act, would create a "fairer" economy with a 2% annual tax on households and trusts valued at between $50 million and $1 billion. All net worth over $1 billion would be taxed at 3%.

The measure — like wealth tax proposals Warren has offered in the past — is unlikely to garner the support needed to pass, particularly in the evenly divided Senate. But it could serve as a marker for progressives in Congress and is a reminder of the restiveness on the party's left flank.

Extensions: Administration and Implementation of a Wealth Tax in the US

How a Federal Wealth Tax Would Be Administered

Wamhoff 2019

Steve Wamhoff is a Federal Policy Director, "The U.S. Needs a Federal Wealth Tax," January 23, 2019. (https://itep.org/the-u-s-needs-a-federal-wealth-tax/)-JT

One common objection to imposing a tax on a family's total wealth is that wealth is difficult to measure precisely, making such a tax difficult to administer. Some assets owned by the wealthy are relatively easy to appraise, particularly publicly traded stocks and other securities that have a readily ascertained market value. Anyone can look to a stock exchange to see what a particular stock is worth on a given day.

Other assets could be more difficult to appraise. An ownership stake in a closely held business, for example, does not sell on a public exchange and its market value is therefore not immediately obvious. But the I.R.S. already does, in theory, assess the net worth of the very wealthy, including all types of assets they own, in order to impose the federal estate tax. The only fundamental difference is that an estate tax is imposed on a person's net worth just once, at the end of her life, whereas a wealth tax would be imposed annually on net worth.

Estimating the value of a family's net worth annually poses some additional challenges. It can sometimes take several years for the I.R.S. to assess the estate of a very wealthy decedent. The process would need to be significantly streamlined to make an annual wealth tax workable.

Non-Publicly Traded Business Assets

Legislation creating a federal wealth tax could facilitate the appraisal of taxpayers' interests in businesses that are not publicly traded and therefore do not have value that is easily determined. The I.R.S. might value such a business with a formula that considers its profits and some of its more easily appraised assets. Another alternative would be to have the business valued periodically, perhaps every five years. The I.R.S. could assume that it would appreciate according to some measure of average growth in the years in between. (A new valuation could be done sooner at the option of the taxpayer.)

Real Estate

Assessments of real estate are currently carried out by local governments to collect property tax but are not done in a consistent way that could be helpful to the I.R.S. in enforcing a federal wealth tax. Local governments also lack the resources to counter the very aggressive tactics that wealthy individuals and their companies use to challenge assessments of commercial and residential real estate.[11] To help address this problem, legislation creating the federal wealth tax could instruct that whenever a taxpayer challenges an assessment of real estate by the I.R.S., the Treasury Department would provide the taxpayers' own appraisal of their real estate to any state or local government that is considering acquiring the property through eminent domain.[12] State and local governments that obtain property this way are required, under the Fifth Amendment of the U.S. Constitution, to provide "just compensation" to the property owner. The state or local government could very plausibly argue that just compensation can be based on what the property-owner told the I.R.S. his property was worth. The

possibility of this would discourage wealthy owners of real estate from understating the value of their properties to the I.R.S. for the purposes of the federal wealth tax.[13]

Trusts

Assets held in trust are for some purposes treated as if they are not actually owned by any person. A wealthy person might place assets in a trust to benefit his child, who cannot access those assets or the income from those assets except as stipulated by the trust document. This fact, and the various inconsistent rules regarding how such assets and income should be treated, allow some people to use trusts to avoid the federal estate and gift tax. Under a federal wealth tax, assets placed in a trust should be treated as owned by the grantor of the trust (by the person giving assets to the trust) until that person's death, at which point the beneficiaries of the trust should be treated as owning its assets.

Resources for Enforcing the Wealth Tax

A federal wealth tax could raise so much revenue that the I.R.S. would be justified in devoting significant resources to its enforcement. Consider an extreme scenario in which Congress must increase the I.R.S.'s budget by 30 percent to implement a wealth tax. The entire budget for the I.R.S. in 2010, just before Congress started to cut it, was about $14 billion in 2018 dollars.[14] If Congress spent $5 billion of the wealth tax revenue on increasing the I.R.S.'s budget for enforcement, that would amount to a tiny fraction of the overall revenue collected from the tax. The methodology section uses reasonable assumptions to project that the wealth tax would raise more than $100 billion each year it is in effect.

It is also important to keep in mind that rather than collecting from the entire population of the United States, I.R.S. personnel enforcing the wealth tax would be focusing on just the wealthiest 0.1 percent of Americans. As explained in the methodology section, this would likely be about 175,200 families in 2020.

Offshore Assets

Like the federal estate tax, the federal wealth tax would have a worldwide reach. An individual cannot shield assets from the estate tax by holding them offshore, and the same would be true of the wealth tax. Taxpayers with significant assets offshore are already required to report them to the federal government. The United States requires taxpayers with more than $10,000 in offshore financial accounts to file a Foreign Bank Account Report, or FBAR, with the Treasury Department to prevent financial crimes. In 2010 Congress enacted the Foreign Account Tax Compliance Act (FATCA), which requires taxpayers living in the country to file information about offshore assets with their federal income tax returns if those assets exceed $50,000 in the case of singles or $100,000 in the case of married couples. (The thresholds are much higher for Americans living abroad.) While enforcing a federal wealth tax may require some finetuning of the I.R.S.'s ability to calculate the value of assets held offshore, the basic infrastructure to do this is already in place.

Extensions: Reducing Inequality

A wealth tax will reduce racial wealth inequality

Williamson 2022

Vanessa Williamson is a Senior Fellow - Governance Studies and a Senior Fellow - Urban-Brookings Tax Policy Center, "Closing the racial wealth gap requires heavy, progressive taxation of wealth," March 9, 2022. (https://www.brookings.edu/articles/closing-the-racial-wealth-gap-requires-heavy-progressive-taxation-of-wealth/)-JT

Centuries of discrimination and exploitation have left Black Americans much poorer than white Americans. The median white household has a net worth 10 times that of the median Black household. If Black households held a share of the national wealth in proportion to their share of the U.S. population, it would amount to $12.68 trillion in household wealth, rather than the actual sum of $2.54 trillion. The total racial wealth gap, therefore, is $10.14 trillion.

There is a vital and vibrant conversation in America today about reparations programs and other expenditure-based approaches to close the racial wealth gap. These investments are a moral imperative and an urgent economic necessity.

But any program to close to racial wealth gap must grapple with the reality of wealth concentration in contemporary America. The 400 richest American billionaires have more total wealth than all 10 million Black American households combined. Black households have about 3% of all household wealth, while the 400 wealthiest billionaires have 3.5% of all household wealth in the United States. Because wealth in the United States is so highly concentrated, and because the wealthiest Americans are almost exclusively white, the racial wealth gap is also concentrated among the wealthiest families. Indeed, if the wealth gap were completely eliminated for all but the richest 10% of households, the total racial wealth gap would still be more than $8 trillion, 80% of the total wealth gap that exists today.

Any plan to eliminate the total racial wealth gap requires, in addition to a transformative national investment in Black households and communities, a program of heavy and highly progressive taxation aimed at the very wealthiest Americans. A comprehensive agenda to close the racial wealth gap would likely include reforms to income and estate taxation, plus new taxes on wealth and inheritance, buttressed by a substantial investment in enforcement.

While these taxes would likely also raise substantial revenue, this is not their primary purpose. High and progressive taxation of extreme wealth is in itself a strategy for racial justice because it would directly reduce the portion of the racial wealth gap that exists at the top of the economic ladder.

A wealth tax is constitutional

Ford 2024

Zack Ford is an editor at Alliance for Justice, "Supreme Court Leaves Open Door to Wealth Taxes," June 20, 2024. (https://afj.org/article/supreme-court-leaves-open-door-to-wealth-taxes/)-JT

The Supreme Court issued its decision in Moore v. U.S., ruling that taxes on investments are constitutional. The case was a challenge to Congress's ability to tax income that has not been "realized" through sale of assets but also an attempt to preempt other forms of taxes on wealth.

In the 7–2 decision, Justice Kavanaugh notes Congress's "broad power to lay and collect" taxes and explains that the Mandatory Repatriation Tax is constitutional. While the Moores argued that their investment returns could not be taxed because they had not been "realized," the opinion explains that the income has been realized by the company in which they are invested. The Court finds that it is thus constitutional for Congress to tax shareholders for their share of that income.

A concurrence by Justices Barrett and Alito confirms that this case was very narrowly decided specific to shareholders of a closely held foreign corporation. A dissent from Justices Thomas and Gorsuch shows that there were two votes ready to rule the tax unconstitutional.

Alliance for Justice Vice President of Strategy Keith Thirion issued the following statement:

"There are Supreme Court cases every year where the specific details seem nuanced but the consequences can prove massive. Moore v. U.S. was one of those cases because of the threat it posed to hypothetical policies that have never even been passed into law. At a time when 10% of earners control two thirds of all wealth, we need to examine ways to ensure everybody is paying their fair share to create a society in which we can all prosper. It's a relief to know that today's narrow ruling leaves options on the table, but we must be vigilant in responding to these obvious efforts to give even more power to those who already control more than most of us can imagine.

"It is no surprise that Justice Thomas sided with the billionaires given that the wealthy and privileged have plied him with ludicrous sums of gifts during his time on the bench. His decisions are compromised, and he must resign."

A wealth tax curbs inequality

Marti 2022

Samira Marti is a Swiss politician and economist. She has been a Member of Parliament for the Canton of Basel-Landschaft for the Social Democratic Party since 2018. In 2022, she completed her master's degree in economics at the University of Zurich., "Do Wealth Taxes Significantly Curb Wealth Inequality?," October 3, 2023. (https://www.promarket.org/2023/10/03/do-wealth-taxes-significantly-curb-wealth-inequality/)-JT

Rather than earning regular income, many super-rich, notably founders of successful businesses, such as Elon Musk, Warren Buffet, or Jeff Bezos, earn their income from capital gains, that is, the profit from selling an asset for more than one paid for it. Unrealized capital gains (those assets that have gained value on paper but have not yet been sold) are not taxable in most countries, and even when realized, capital gains are typically taxed at much lower rates than ordinary income. As capital gains are concentrated among the wealthiest, overall tax progressivity has corroded to the degree that the average tax rate millionaires and billionaires pay can be lower than that of individuals in lower income brackets. While the average American pays 13% in federal income taxes, according to a White House analysis, the wealthiest 400 families in the United States only paid on average 8.2% in federal income tax between 2010 and 2018.

In response, several candidates during the 2020 U.S. presidential election proposed a federal wealth tax. Most prominently, Massachusetts Democratic Senator Elizabeth Warren called for a 2% yearly "ultra-millionaire tax" on Americans with a net worth over $50 million, and 6% on those with wealth exceeding one billion. Vermont independent Senator Bernie Sanders' plan was even more progressive, with a tiered approach starting at 1% for fortunes above $32 million and rising up to 8% on net wealth over $10 billion. While neither candidate won the election, wealth tax proposals have continued to gain traction in the U.S. and other countries. Some 64% of Americans support a wealth tax on the super-rich, including 77% of Democrats and 53% of Republicans, according to a 2020 Reuters/Ipsos poll. In line with the idea of making billionaires pay "their fair share," President Joe Biden has proposed tax increases on the rich, in particular on capital gains, in his budget for fiscal year 2024. Other countries have recently introduced wealth taxes, such as Colombia in 2019, or raised existing wealth taxes on the rich, like Argentina in 2021.

In a new study, we address this question by exploiting the decentralized structure of the Swiss wealth tax, where each of Switzerland's 26 cantons (states) sets its own rates, as a laboratory setting. While 12 European countries levied an annual tax on net wealth in the 1990s, only three—Norway, Spain, and Switzerland—still levy such a tax. With wealth tax revenue amounting to 3.8% of total government revenue, only Switzerland raises a level of revenue comparable to recent proposals put forward by Senators Sanders and Warren in the U.S. The Swiss example is therefore of particular interest to the ongoing policy debate in the U.S. and elsewhere.

The wealth tax has a long tradition in Switzerland and even predates the modern income tax. The Swiss states, called cantons, have been taxing wealth since the early 18th century—in fact, this was their main source of revenue until World War I. In addition, wealth was taxed at the federal level between 1915 and 1959. Since then, there has been no federal wealth tax but all cantons must levy a comprehensive wealth tax, which they have significant freedom to design. The base of the Swiss wealth tax is broad: in principle, all assets, including those held abroad, are taxable. Only common household assets, foreign real estate, and private pension wealth are exempt from wealth taxation.

A wealth tax targets wealthy in ways no other tax does and raises funds for climate policy

Oxfam 2023

Oxfam is a British-founded confederation of 21 independent non-governmental organizations, focusing on the alleviation of global poverty, founded in 1942 and led by Oxfam International., "Wealth tax vital to reduce extreme inequality and tackle climate crisis," April 13, 2023. (https://www.oxfamamerica.org/press/press-releases/wealth-tax-vital-to-reduce-extreme-inequality-and-tackle-climate-crisis/)-JT

In advance of Tax Day, Oxfam called for a US wealth tax to reduce extreme wealth inequality, advance racial justice, tackle the climate crisis, and protect democracy. Oxfam also highlighted how fairer taxation of the ultrawealthy could have prevented the current debt-ceiling gridlock.

In a new analysis released today titled "Tax Wealth, Tackle Inequality," Oxfam underlined that extreme wealth concentration is at a record high in the US. New Oxfam calculations based on Forbes data show that US billionaires are almost a third richer than they were at the onset of the pandemic in 2020, even accounting for the turbulent stock market in 2022. Since 2013, US billionaires have gotten 86 percent richer. Oxfam also calculated that for every $100 of wealth created from 2012-2021 in the US, $37 have gone to the richest 1 percent, with the bottom 50 percent only receiving $2.

"Tax Day is a reminder that the tax system isn't working for ordinary Americans. It's built to favor the richest in our society," said Nabil Ahmed, Oxfam America's Director of Economic Justice. "The ultrawealthy are sitting on mountains of wealth that remain largely untouched by taxes, and their wild riches are in no small part a result of intentional public policy. We need to implement strategic wealth taxes if we want to stand any chance at reining in this kind of Gilded-Era wealth inequality that allows the super-rich to have a stranglehold over our economy."

Not only is wealth inequality more extreme than income inequality, but wealth is also highly stratified by race. Oxfam makes the case that wealth taxation can narrow the racial wealth gap, which has hardly moved since 1950. Today, the average Black American household holds only about 12 cents in wealth for every dollar of the average white American household. The same trend applies to stock ownership: 89 percent of shares are owned by white families, compared with just 1 percent owned by Black families.

Wealth taxation also plays a vital role in responding to the climate crisis. Climate breakdown is disproportionately driven by the investments and emissions of the wealthiest people, and their choices to invest in polluting industries affect how all Americans use energy. Oxfam's analysis of 125 of the richest billionaires shows that on average their individual investments result in a million times more emissions than one average person.

"Taxing the ultrawealthy is essential to tackle extreme wealth inequality and protect our democracy from the threat of oligarchy – but it is also central to advancing racial and climate justice, connections that we must pay more attention to," continued Ahmed. "It's also clear that political gridlock around the debt ceiling is a consequence of tax cuts on the richest."

Oxfam calls on the Biden administration and Congress to enact a wealth tax in order to build a more equitable and prosperous economy, and underlines Senator Warren's Ultra-Millionaire Tax as an "urgent and necessary proposal." Oxfam estimates that a 3 percent tax on billionaire wealth alone, as proposed in the Warren wealth tax, would raise $114 billion annually, while taxing all wealth above the lower threshold of $50 million would raise this revenue substantially.

Oxfam, the Institute for Policy Studies, and Patriotic Millionaires calculated that an annual net wealth tax could raise over half a trillion dollars ($582.6 billion) each year by taxing the ultrawealthy at higher rates: 2 percent above $5 million, 3 percent above $50 million, and 5 percent above $1 billion. As an illustrative example, over $1 trillion could be raised through implementing a one-off windfall tax of 27 percent on each billionaire.

The billions of dollars raised from these wealth taxes could fund countless crucial inequality-busting investments for working families across the US and abroad. For example, a 3 percent wealth tax on billionaires alone could finance the $97 billion needed to reinstate the Child Tax Credit program, which

cut child poverty by an astonishing 30 percent during the height of the pandemic. $80 billion would go a long way to help lower-income countries address the catastrophic impacts of the climate crisis.

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Definitions

Wealth Tax

Investopedia 2010

Investopedia, "Wealth Tax: Definition, Examples, Pros & Cons," June 27, 2010 (https://www.investopedia.com/terms/w/wealth-tax.asp) -JT

A wealth tax is a tax based on the market value of assets owned by a taxpayer.

Value-Criterion

I believe we must uphold the value of economic stability.

The rich leaving the country/evading taxes hurts the country economically

Economic Times 2024

Economic Times, "wealth taxes: France runs risk of economic meltdown after high earners looking at fleeing country over wealth taxes," July 10, 2024. (https://economictimes.indiatimes.com/news/international/uk/france-runs-risk-of-economic-meltdown-after-high-earners-looking-at-fleeing-country-over-wealth-taxes/articleshow/111642092.cms?from=mdr) -JT

France is amid a risk of economic meltdown after high-earners residing in France have a chance of paying high amount of taxes due to a probable decision by the government to introduce wealth taxes. According to reports, the wealthy can end up paying as far as 90% in taxes in the country, which may end up in a majority of this population fleeing the country, says a UK Express report. After the surprise victory of the hard-left coalition in the weekend's snap elections in France, the country's financials are steadily on a decline with a new wave of crisis impeding in the case heavy taxes are imposed on the rich. The parties who have collationed to claim power, are planning on increasing their public spending £125 billion, and this sum can be extracted by imposing wealth taxes, suggest reports.

Incomes that surpass £340,000 annually, may see an imposition of 90 percent tax annually but this move may see an economic decline across the country, as France is already in a budget deficit. According to a finance analysts based in France and abroad, there has been an increase in people showing interest in migrating to countries like Spain, Switzerland and Spain, and the numbers are most surely set to increase if the government gives the green signal to impose wealth taxes.

The way to measure economic stability is through my criterion of maintaining stable government funding. If we implement a wealth tax, the government will not only not gain much or anything at all (since implementation is virtually impossible, let alone enforcement), the country will lose wealth as a whole through tax evasion or fleeing the country.

Fixing current tax codes is more effective than a wealth tax

IMF 2024

International Monetary Fund: Shafik Hebous, Alexander D Klemm, Geerten Michielse, Carolina Osorio Buitron, "How to Tax Wealth," March 8, 2024. (https://www.imf.org/en/Publications/imf-how-to-notes/Issues/2024/03/08/How-to-Tax-Wealth-544948) -JT

Tackling income and wealth inequality is at the top of the policy agenda in many countries. This note discusses three approaches of wealth taxation, based on (1) returns with a capital income tax, (2) stocks with a wealth tax, and (3) transfers of wealth through an inheritance (or estate) tax. Taxing actual returns is generally less distortive and more equitable than a wealth tax. Hence, rather than introducing wealth taxes, reform priorities should focus on strengthening the design of capital income taxes (notably capital gains) and closing existing loopholes, while harnessing technological advances in tax administration—including cross-border information sharing—to foster tax compliance. The inheritance tax is important to address the buildup of dynastic wealth.

Contention 1: Tax Evasion

It's easy and common for the rich to evade taxes; this'll be no different

Ivanova 2022

Irina Ivanova is a reporter for CBS News, "Rich Americans hide "billions" offshore thanks to tax loophole, Senate panel finds," August 25, 2022. (https://www.cbsnews.com/news/tax-evasion-billions-offshore-fatca-tax-reporting-loophole-senate-finance-committee-robert-brockman/)-JT

A gaping hole in U.S. tax laws is allowing the rich to stash billions offshore in foreign bank accounts, according to lawmakers. While the law requires Americans to report any foreign bank accounts and pay taxes on all income earned, not all of them do, and a 12-year-old law designed to crack down on

offshore tax evasion is easy to circumvent, members of the Senate Finance Committee said in a report on Wednesday.

"As a result, wealthy taxpayers continue to use schemes involving offshore entities and secret bank accounts to successfully hide billions in income from the IRS," the report said. The case of Robert Brockman, a billionaire charged in the largest tax evasion case in history, highlights how loopholes in the nation's tax code may be used to dodge taxes. In 2020, the Department of Justice charged Brockman with hiding more than $2 billion in income from the IRS in a complex, decades-long scheme involving offshore accounts, foreign trusts and multiple shell companies.

Brockman died earlier this month while preparing to stand trial; his case was the impetus for the Senate Finance investigation. A civil case against his estate is ongoing.

Brockman's attorneys, who didn't immediately reply to a request for comment from CBS News, had argued he was too ill to stand trial. Upon his death, Kathy Keneally of Jones Day told Bloomberg, "the government wasted time and resources indicting a man who had progressive dementia and was terminally ill."

One way Brockman was allegedly able to hide income is by dressing up his shell companies as financial institutions, according to the report, which cites documents from the court case. Under the 2010 Foreign Account Tax Compliance Act, or FATCA, foreign financial institutions are required to determine if certain accounts are held by U.S. citizens. But banks are free of that legal responsibility if the accounts are held by entities that are themselves financial institutions.

Brockman allegedly took advantage of this loophole, according to lawmakers. Companies that he controlled and that were registered under other people's names were also registered with the IRS and received Global Intermediary Identification Numbers (GIIN numbers), allowing them to present themselves as foreign financial institutions. That means when money funneled through these companies was deposited into Swiss bank accounts, the Swiss banks did not need to investigate whether a U.S. citizen held the account, as they would normally have to do.

What's more, getting a GIIN number from the IRS is "shockingly easy," the report found. After a person registers online or via a paper form, applications "are almost always approved without meaningful investigation or due diligence from IRS personnel," the Senate panel found. Essentially, Brockman was allowed to give himself a free pass and "self-certify" that his accounts were legal, and neither the IRS nor the Swiss banks investigated further, the report alleges, revealing a "deeply troubling loophole in the U.S. financial reporting regime."

Brockman's alleged tax evasion is likely just the tip of the iceberg, the committee found. The Cayman Islands alone have 84,000 entities with GIIN numbers, meaning they are identified as foreign financial institutions.

"There are hundreds of thousands of shell companies in offshore tax havens that have been turned into IRS-approved banks with virtually no scrutiny by the IRS. It doesn't take a rocket scientist to see how this loophole leads to billions in tax evasion," Senator Ron Wyden, chairman of the Senate Finance Committee, said in a statement.

Budget cuts at the IRS have made it harder for the agency to crack down on wealthy tax cheats. SInce 2010, the number of enforcement staffers at the agency has fallen by nearly a third. That means less revenue for everything from military spending to social programs, with an estimated $600 billion in owed taxes going uncollected each year, according to the Treasury Department.

"The IRS is completely outgunned when it comes to these offshore shell banks," Ashley Schapitl, a spokesperson for Wyden, said on Twitter. An $80 billion boost for the agency in the recently passed Inflation Reduction Act should make up some of this gap, Wyden said. The senator is also pushing a law targeting the foreign-reporting loophole, he said.

Flawed US Tax Code allows for tax evasion to happen at alarming amounts; wealth tax will be futile

Gleckman 2023

Howard Gleckman is a senior fellow in the Urban-Brookings Tax Policy Center at the Urban Institute, where he edits the fiscal policy blog TaxVox and the daily news summary The Daily Deduction., "$4 Trillion In US Wealth Is Stashed Overseas, Much Of It In Tax Havens," March 28, 2023. (https://taxpolicycenter.org/taxvox/4-trillion-us-wealth-stashed-overseas-much-it-tax-havens) -JT

Since 2015, the Foreign Account Tax Compliance Act (FATCA) has required foreign banks, investment funds, and other financial intermediaries to report information about accounts controlled by US taxpayers. Using confidential administrative data reported under FATCA, the researchers estimated about 1.5 million US taxpayers held roughly $4 trillion in foreign accounts in 2018, about five percent of the roughly $80 trillion in total reported US financial wealth.

The study found two very different groups of overseas account holders. The vast majority are immigrants to the US or Americans working abroad. They generally hold relatively small accounts that rarely are in tax havens.

But most of the money is controlled by just a handful of very wealthy taxpayers, often through partnerships with accounts in tax havens such as Switzerland, Luxembourg, and the Cayman Islands. Only about 14 percent of foreign accounts were held in those low- and no-tax countries in 2018. But they represented about half those overseas assets, or nearly $2 trillion. Wealthy US investors can avoid US tax by setting up corporations or trusts in tax havens, where local tax rates are low and US tax on investment income generally is not withheld.

Ownership of offshore assets was highly concentrated among a small number of very wealthy households. About one-in-five of those in the highest-income 1 percent held assets overseas, increasing to more than 60 percent for households in the top 0.01 percent. And that very small group controlled roughly one-third of the assets in overseas accounts. For context, in 2018, the Tax Policy Center defined those in the top 0.1 percent as households making about $775,000 or more annually, while the top 0.01 percent made at least $3.3 million. FATCA reporting appeared to initially reduce the amount held in these foreign accounts, but the effect was small and only temporary. By 2018, the value of assets sitting in these overseas accounts had returned to pre-2015 levels.

Other studies have found similar, or even higher concentrations, of foreign assets. See here and here. But this was the first with access to detailed administrative data, including all FATCA reports, rather than having to make assumptions from small samples of foreign accounts. The study was conducted by a team of economists who have researched these issues for many years: Niels Johannesen of the University of Copenhagen, Daniel Reck of the University of Maryland, Max Risch of Carnegie Mellon University, Joel Slemrod of the University of Michigan, and John Guyton and Patrick Langetieg of the IRS. The paper will be presented at the Tax Policy Center-IRS joint research conference in June.

While the new study advances an important discussion about assets held in foreign accounts, FATCA reporting remains flawed. Some financial institutions may have failed to fully report US owners and others may erroneously have misidentified some foreign owners as Americans. The authors were unable to identify about one-in-five owners of partnership assets and could not link 42 percent of individual accounts that held 38 percent of wealth to specific tax returns.

Some critics of the study say FATCA reporting distorts the amount of wealth in overseas accounts by conflating foreign accounts held directly by US investors with holdings by US individuals in domestic funds that, in turn, own interests in offshore funds.

Despite those significant gaps, this paper provides a compelling look at both the magnitude of assets held overseas and the characteristics of their US owners. And the authors conclude that a relative handful of very rich Americans stashed trillions of dollars in wealth overseas principally to avoid US taxes. There still is much we don't know. Researchers need to fill in missing information, through perhaps that will only be possible if FATCA reporting is improved. And future studies may tell us whether FATCA is accomplishing its goal of increasing tax compliance.

France and Britain's Wealth Tax caused a 'wealth drain'.

McDougall 2021

Mary McDougall is an editor for Investors Chronicle, "Lessons from history: France's wealth tax did more harm than good," February 11, 2021. (https://www.investorschronicle.co.uk/content/c2a0a5ab-11a8-50a3-a098-240f320fc795) -JT

It's easy to see why a wealth tax captured the nation's imagination last year. The pandemic has clearly exposed and sharpened inequality in the UK, as those who can't work remotely are disproportionately low paid and have been significantly harder hit by the virus.

In a poll carried out by Ipsos Mori last October, 44 per cent of Brits said they were prepared to pay more taxes to help address the government's expected £400bn budget deficit. Unsurprisingly, the wealth tax received the broadest approval, with three-quarters of people supporting the measure. Amid speculation of upcoming tax changes, a group of economists and lawyers from the Wealth Tax Commission proposed in December that one way to address pandemic-induced inequality would be to introduce a 5 per cent levy on personal net wealth above £500,000, spread out over five years.

It is worth noting that the report was not commissioned by the government, and Chancellor Rishi Sunak said earlier this month the proposals were “unconservative” – read: very unlikely to be introduced any time soon. The Labour position on a wealth tax seems unclear. Keir Starmer, the party leader, said in July that the government should look at the idea of a wealth tax, but has subsequently shown more support for stimulating the economy than for immediate tax hikes.

The UK has never had a wealth tax, but the closest it came to introducing one was in the mid-1970s against a backdrop of high inflation, rising unemployment and frequent largescale strikes. Denis Healey, then Labour chancellor, wrote in his memoirs: “We had committed ourselves to a wealth tax; but in five years I found it impossible to draft one which would yield enough revenue to be worth the administrative cost and political hassle.” While most decent people would support policies to address rising inequality and support those worst hit by the pandemic, history suggests introducing a wealth tax is unlikely to be the best way to do it. As Mr Healey concluded, there is a little evidence that, all things considered, it can be sufficiently lucrative.

Back in 1990, around a dozen European countries had a wealth tax, but most have been abolished, with only those in Spain, Norway, and Switzerland remaining. Take France’s experience, a country with roughly the same-sized population and economic output as the UK, that has experimented with wealth taxes and high top rate income taxes, with disappointing results.

What’s more, it led to an exodus of France’s richest. More than 12,000 millionaires left France in 2016, according to research group New World Wealth. In total, they say the country experienced a net outflow of more than 60,000 millionaires between 2000 and 2016. When these people left, France lost not only the revenue generated from the wealth tax, but all the others too, including income tax and VAT.

French economist Eric Pichet estimated that the ISF ended up costing France almost twice as much revenue as it generated. In a paper published in 2008, he concluded that the ISF caused an annual fiscal shortfall of €7bn and had probably reduced gross domestic product (GDP) growth by 0.2 per cent a year. What's more ISF fraud mainly involving an underassessment of property assets was estimated at around 28 per cent of total revenues.

Another French tax aimed at the rich was shorter-lived, the so-called supertax introduced by socialist president Francois Holland in 2012. The tax imposed a 75 per cent levy on earnings above €1m, and led to a number of French celebrities leaving the country. France’s richest man, Bernard Arnault, the chief executive of luxury retailer LVMH Moet Hennessy Louis Vuitton (EPA: MC), applied for Belgian citizenship, and actor Gérard Depardieu moved to Belgium before obtaining Russian citizenship. French footballers threatened strike action, while league bosses feared the tax prevented them from attracting world-class players. The tax was repealed two years after adoption when Mr Macron, then economic minister, warned that it made France “Cuba without the sun”.

Most wealth taxes have failed to bring in much revenue and ultimately proved politically unsustainable. Higher taxes and the flight of a cohort of France’s richest will have helped to reduce inequality, which is lower than in the UK, according to the Gini coefficient. But it is hard to see that it left the country better off.

Contention 2: Enforceability/Implementation

Current loopholes prevent a wealth tax from working

Nemeth 2021

Janet Nguyen is a reporter with the Marketplace digital team., "Why a Wealth Tax Can't Solve Our Problems," Nov 9, 2021. (https://fee.org/articles/why-a-wealth-tax-can-t-solve-our-problems/)-JT

On Friday, the House passed Biden's $1 trillion infrastructure package, but postponed a vote on Biden's social spending agenda, an estimated $1.8 trillion plan that would extend the child tax credit by one year, establish universal pre-Kindergarten and expand Medicaid. The social spending plan, also known as Build Back Better, has already been pared down from its initial $3.5 trillion price tag and would span 10 years.

Lawmakers have proposed different ideas to pay for the president's current plan, which include taxes that would target wealthy Americans and corporations. In late October, Democratic Sen. Ron Wyden from Oregon released one that would specifically go after the country's very richest. Despite support for a wealth tax, we've yet to see one come to fruition. Some experts say that it would be difficult to implement one effectively, both because of the U.S. tax code and because of lobbying efforts by the ultrawealthy.

Crawford of Pace University said a plan like Wyden's is "administratively complex and easy to evade." She added that taxing unrealized gains assumes that stock values tend to increase.

"Well, what if the value of the stock actually goes down in the next year? I sold it for a loss. So there would be a tremendous amount of paperwork associated with this accounting. I would have to take a snapshot every year of my portfolio," she said. "Can it be done? Yes, of course. But it is not the way the U.S. system is set up." She pointed out that an "understaffed and under-informed IRS" would be tasked with carrying out this law. Crawford added that Florida had an intangible tax that took a snapshot of a person's assets on a particular date. She explained this encourages strategic behavior since some people give their assets away that day, only to get them back the next day.

Steve Utke, an associate professor of accounting at the University of Connecticut, also said it would be tricky to value non-marketable securities, which can't be traded on a public exchange, like artwork or your family business. He said this raises questions over who should appraise it — if billionaires are employing their own, the appraiser has an incentive to be favorable to him or her.

When it comes to plans such as Warren's wealth tax, Crawford said she thinks that it would be held up in litigation over its constitutionality, even though she personally believes it "passes constitutional muster." The constitutional argument against it is that direct taxes have to be apportioned based on a state's population, Crawford explained. So if a state has 15% of the population, then 15% of a direct tax's revenue has to come from that state. "Direct taxes" is the key phrase here, and legal experts have argued that Warren's wealth tax would be considered one. "It is easy to say that one is anti-wealth concentration. The rhetoric is easy to get behind. The reality is much more complicated," Crawford said.

Utke pointed out that several European countries have tried wealth taxes throughout the years, only to dispense of them later on. Revenues generated from these wealth taxes are generally very low, which was one of the justifications for their repeal, according to the Organisation for Economic Co-operation and Development. To remedy wealth inequality, Crawford said that instead, the estate and gift tax exemption should decrease to Obama-era levels.

The Trump administration's Tax Cuts and Jobs Act of 2017 doubled the exemption amount from $5.49 million per individual to $11.8 million. What this means is that you're allowed to transfer this amount of wealth without facing a 40% tax. In 2009, the estate tax exemption stood much lower at $3.5 million per person, while the gift tax stood at $1 million per person. The maximum tax rates on amounts above both of these thresholds stood at 45%.

She also said the U.S. should implement a carryover basis regime, which has been enacted into law before. Because of lenient rules surrounding capital gains on inherited property in our current system, people who sell theirs aren't taxed as much as they would be under a carryover system. "It's working within the current system that people know and expect," Crawford said. "And it's merely reverting back to laws that have been implemented before. There's a blueprint on how they work."

But Emmanuel Saez and Gabriel Zucman, economists who helped Warren develop her own proposal, have been vocal that one could work. When it comes to the failure of the European Union's wealth taxes, for example, they've written that these taxes had "myriad exemptions, deductions and other breaks," and pointed out that the EU tolerates tax competition among member states in the European and "tax evasion to a foolish degree."

In an interview earlier this year with Marketplace, Warren said we would already have implemented a wealth tax if the super wealthy hadn't expended resources lobbying against one. "Billionaires and super millionaires talk a lot louder in Washington than everyone else. They make a lot more campaign contributions. They hire a lot more lobbyists," she said. "They finance a lot more think tanks. And they make it really tough for some folks in Washington to think about a 2-cent wealth tax on their great fortunes."

What exactly will be taxed and how will be very hard to implement into an effective tax code

Ahokovi 2023

Jensen Ahokovi is a research associate at the Grassroot Institute of Hawaii., "Proposed 'wealth tax' has a wealth of problems | Grassroot Institute of Hawaii," March 1, 2023. (https://www.grassrootinstitute.org/2023/03/proposed-wealth-tax-has-wealth-of-problems/)-JT

Wealth is hard to define. An individual's wealth, unlike income, comprises a variety of difficult-to-value assets such as privately held businesses, private investments, real estate, works of art and intellectual property such as patents or trademarks.

SB925 would assign the state Department of Taxation to calculate the values of these assets, but how exactly would they do that? Private investments, for example, are complicated to value because they are not public information and may be illiquid or structured in private equity funds, hedge funds, angel investments or venture capital investments. Similarly, private businesses and their financial records are not publicly available. They also usually do not have an observable market value since their shares are not traded on public exchanges. Same with works of art, collectibles, patents, trademarks and other things — including, sometimes, land or houses — that are basically “priceless” until actually exchanged in voluntary market transactions.

A wealth tax would be hard to administer. Difficulty in administering a “wealth tax” is the primary reason there are only three European countries with wealth taxes today, down from 12 in 1990. In France, 42,000 millionaires fled the country between 2000 and 2012 before its wealth tax was repealed in 2018.[3] A 2007 analysis by French economist Eric Pichet concluded: “[France’s] wealth tax impoverishes France, shifting the tax burden from wealthy taxpayers leaving the country onto other taxpayers.” Revenue collected from the tax also turned out to be an issue. For example, in Sweden, which abolished its wealth tax in 2007, revenues from the tax were lackluster and never exceeded 0.4% of GDP. A 2018 report by the Organization for Economic Cooperation and Development pointed out that net revenues from wealth taxes decreased over time, even while wealth accumulation had increased on average across the countries that had wealth taxes.

The exact number of taxpayers in Hawaii who would be subject to the wealth tax, if SB925 were enacted, is not known. But it is highly unlikely that any taxpayers identified as owning assets worth $20 million or more would be afraid to move themselves or their assets to more tax-friendly states. This, of course, would have the effect of reducing the Hawaii’s tax base subject to the new tax law. For the wealthy taxpayers who might remain, regulators would require a considerable amount of resources to evaluate their assets and deal with the challenges that would invariably arise when taxpayers dispute the valuations assigned to their assets.

A wealth tax would require a restructuring of American Tax Code

Gura 2021

David Gura is an editor at NPR, "Why a wealth tax for people like Elon Musk is so hard to pull off : NPR," November 13, 2021. (https://www.npr.org/2021/11/13/1054711913/progressives-wealth-tax-super-rich-elon-musk-jeff-bezos) -JT

The pandemic has been good for the ultra rich like Elon Musk and Jeff Bezos whose fortunes are tied to the stock market. Yet many of these billionaires pay little in taxes, and that has sparked a big push by progressives for a "wealth tax." Recently, Sen. Ron Wyden (D-OR), the chairman of the Senate Finance Committee, introduced a version of that. Wyden calls it a "billionaires tax," targeting the ultra rich as a way to help pay for President Biden's agenda. It didn't get far. Barely a day after he proposed the plan, it was cut from the bill.

Tax experts were not surprised. As it turns out, taxing billionaires is incredibly difficult, and a wealth tax would be even harder to pull off. Fundamentally, it has to do with how the U.S. tax system is structured.

Income is subject to federal taxes, but wealth isn't. "It's not complicated," says Scott Dyreng, a professor of accounting at Duke University. "It's just the magnitude of the wealth is so great that they're able to do things that you and I wouldn't be able to do." And the super rich often earn the bulk of their compensation in company stock, not salaries. That means they have seen their wealth balloon as markets have set records during the pandemic. "I do not take a cash salary or a bonus from anywhere," Elon Musk wrote on Twitter this month when he waded into the wealth tax debate. "I only have stock, thus the only way for me to pay taxes personally is to sell stock."

Founders who own shares in their own companies tend to have another huge advantage. In the U.S., those type of stocks are generally not liable for taxes unless sold, and the rich often don't sell their holdings unless they have to. In fact, they often pass them on to their offspring, who can also hold onto the stock. Rather than sell their shares, the super rich can borrow against their holdings. In effect, they use them as collateral for loans. "They have so much stuff that they can convince a bank to lend them money for their cashflow needs," Dyreng says. "So, they don't need to have income. They just have assets that back loans."

Billionaires also use stock to cover other expenses. Wyden has proposed a tax narrowly targeted at U.S. billionaires' assets. According to Wyden's office, "they would pay tax on gains or take deductions for losses, whether or not they sell the asset." The Joint Committee on Taxation in Congress has analyzed Wyden's proposal, and its economists estimate it could raise $557 billion in revenue over the next decade.

A key reason why a wealth tax, or even just raising taxes on the rich, is difficult is Congress. Many lawmakers fear the political consequences of doing away with loopholes or increasing taxes.

"I don't like the connotation that we're targeting different people," Sen. Joe Manchin (D-WV) told reporters after the billionaires tax was introduced. "It's time that we all pull together and grow together." Manchin, who opposed the proposal, also said the super rich shouldn't be vilified when they "create a lot of jobs and a lot of money, and give a lot to philanthropic pursuits."

Contention 3: Economic Turmoil

A wealth tax will reduce the nation's overall wealth

Smith 2022

Karl Smith is Vice President of Federal Tax and Economic Policy at the Tax Foundation, where he leads the federal team in working with federal officials to improve the national tax code., "Estimating the economic impact of a wealth tax," March 9, 2022. (https://www.brookings.edu/articles/estimating-the-economic-impact-of-a-wealth-tax/)-JT

Emmanuel Saez and Gabriel Zucman make two quite different claims about a progressive wealth tax. It is necessary, they say, not just to raise government revenue, but also to curb the injustice of our current system and to protect democracy from the ruinous effects of inequality.

While they make a convincing case against concentrated power, they fail to show why a wealth tax, and only a wealth tax, would effectively combat the ills they intend to address. Their central contentions—that such a policy would diminish the power to influence government policy, stifle competition, and shape ideology—are simply taken for granted. They devote hardly any space to their most import assertion, that the income of today's superrich is earned at the expense of everyone else—and thus that everyone else's well being will be improved if a wealth tax were implemented.

In fact, by their own estimates, the radical wealth tax they endorse would bring in less and less revenue over time, since it would erode very large fortunes and prevent new ones from being created. For the same reason, it would also reduce revenues raised by the capital gains tax, the income tax, and the estate tax. A radical wealth tax could thus leave the less well off worse than they are today. For their argument to work, the decline in wealth over time must produce meaningful gains for the average American. But there are a number of problems with this presumption.

First, a wealth tax would encourage existing wealth to be transferred overseas. The most straightforward way this can happen is for wealthy people to renounce their U.S. citizenship and move abroad. To discourage such defection, both the Warren and Sanders plans call for an exit tax on 40 percent of all wealth. That may seem like a hefty disincentive. But if the alternative is exposure to a wealth tax designed to erode fortunes to a very large extent over time, it may not be much of a disincentive after all.

Moreover, there would be an enormous incentive for the wealthy to attempt to avoid the exit tax by lowering the assessed value of their assets for the single year in which they leave. The economists Larry Summers and Natasha Sarin estimate the avoidance rate for the estate tax, a similar one-time levy, to be around 60 percent. An exit tax, which could be planned for far more effectively than one's death, should see avoidance rates at least as high. That means the exit tax would amount to an effective rate of only 24 percent. For many of the very wealthy, that option would likely be far preferable to having their wealth eroded to a much greater degree over time.

So much for existing fortunes. But a wealth tax would also encourage entrepreneurs to leave the United States even before their fortunes are made. According to the Forbes 400, over half of the fifteen richest people in the United States made their fortunes within their lifetime. A wealth tax would incentivize them to have done so from Toronto or Vancouver rather than New York City or Silicon Valley. It is not clear how any of the issues that Zucman and Saez want to address would be improved by having by shifting the distribution of North American billionaires to Canada. It is more likely that, over time, the U.S. advantage in economic innovation would be eroded as a growing concentration of successful entrepreneurs abroad—in Canada, Singapore, or other potential wealth tax havens—lures venture capitalists and startups out of the United States.

Second, reducing wealth does not necessarily reduce power. Jeff Bezos is the wealthiest person in the United States, but a great deal of his power comes from his position as CEO of Amazon, of which he owns roughly 12 percent. If a wealth tax jeopardizes executives' ability to hold on to their positions at the top of the companies they run, there would be even stronger incentive for them to leave the

country. When I challenged Saez and Zucman on this point last fall, they responded that effective CEOs would not have to worry because they could still maintain the support of their board; the wealth tax would only make it easier for ineffective executives to be removed. Yet, to the extent that effectiveness is measured in increasing Amazon's profits, Bezos retains every incentive, if not more incentive, to use Amazon's size to influence government policy and stifle competition.

What would be considered taxable will make a wealth tax inefficient

Epstein 2024

Richard A. Epstein, the Peter and Kirsten Bedford Senior Fellow (adjunct) at the Hoover Institution, is the Laurence A. Tisch Professor of Law, New York University Law School, and a senior lecturer at the University of Chicago, "We Need a Wealth Floor, Not Just a Wealth Ceiling," September 17, 2024. (https://www.bostonreview.net/forum_response/stuart-white-we-need-wealth-floor-not-just-wealth-ceiling/)-JT

Now that the Republicans have taken control of the House of Representatives, it has become crystal clear that there will be no federal wealth tax on high-net-worth individuals for at least the next two years. Unfortunately, as with so many bad policy proposals, the push for a wealth tax has instead generated renewed interest in blue states. California, Connecticut, Hawaii, Illinois, Maryland, New York, and Washington are considering introducing their own wealth taxes. Through joint effort, they hope to make it more difficult for wealthy individuals to flee high-tax states for more favorable jurisdictions. This strategy represents wishful thinking at its finest. If this quixotic endeavor should become law, it will only hasten the exodus of wealthy individuals from blue California and New York to red Florida and Texas.

It should not, however, require this large a dose of reality to warn progressive states off yet another institutional blunder. The effort to impose a wealth tax runs afoul of the fundamental principles of taxation put in place throughout the course of the income tax era, which now spans more than a hundred years. The economic, or Haig-Simons, definition of income—the increase in net worth plus individual consumption—does not work when applied to any real-world tax system that must collect taxes from millions of people in a quick and efficient fashion. Instead, the standard way to tax wealth starts with the notion that the receipt of certain elements of wealth is taxable as income. In principle, that covers earned income and the realized gain from the sale or other disposition of property. However, it is widely known that certain kinds of benefit are so difficult to value that it is better not to recognize that gain upon receipt, so the tax is postponed until some later time when the taxpayer receives either cash or marketable securities.

The wealth tax stands in sharp contrast to this long-standing practice. Generally, rich people have diverse holdings because they have the resources to cultivate them. Many such assets, like artwork or fractional interests in a family corporation, are nearly impossible to value, impossible to sell, or both. The nonrecognition rules thus keep them out of the tax system. Today, however, we have an estate tax that requires individuals to include in their gross estate all of these difficult-to-value items, which often makes it impossible to settle a tax dispute on large estates in less than several years. Think of the wealth tax as if it were an estate tax imposed on an annual basis, but with the added logistical headache of

being impossible to calculate in year two until the tax liability for year one has been established, and that establishing the tax for year one may take multiple years. These administrative burdens pile up in individual cases, and they become larger the wider the net is extended around the asset base.

At this point, the acute tradeoff becomes clear: the only reliable asset class for wealth-taxation purposes is publicly traded stocks and bonds, which of course can decline rapidly in value after the tax is imposed, but also before it is collected. (Think of the position of Elon Musk and others in the class of 2022.) Necessarily, that type of tax will miss the portion of their wealth that they hold in unlisted and illiquid assets, and thus will not satisfy progressives for whom depriving the rich of wealth is every bit as important as providing additional income to the poor. National wealth taxes face this difficulty, which poses an even greater challenge for a state wealth tax, with its more limited territorial reach.

The revenue collected will fall short of expectations. Worse, the tax will damage the economy. Today's ablest entrepreneurs will be forced to devote their time to defending their fortunes against the predation by the one or more states that lay claim to their wealth. Wealth creation and income from other sources will both fall as administrative expenses and high-stakes litigation rise. An overall decline in social wealth will likely lead to a reduction of investment and wages and consequently to a lower standard of living and a loss of tax revenues from other sources.

Wealth taxes less ambitious than the current crop have uniformly failed. Defenders of the tax like Elizabeth Warren and Bernie Sanders have long claimed that it will not touch ordinary people. But indirect effects matter as much as formal tax liability, and these will touch everyone in society.

The cumulative objections to the wealth tax may lead some of its defenders to offer in its place a more modest change: the removal of the realization requirement for the annual income tax. Asset-price volatility makes this system just as impractical as a wealth tax. In 2022, the stock market tumbled about 9 percent on the Dow, 20 percent on the S&P, and 33 percent on the tech-dominated Nasdaq index. A huge string of unrealized losses—obviously, unpredictable—will now be deductible, leading to large swings in total revenue collections.

A wealth tax slowed economic growth

Floresca 2021

Frances Floresca is an editor at Waste Watcher- is the staff blog of Citizens Against Government Waste (CAGW) and the Council for Citizens Against Government Waste (CCAGW), "A Wealth Tax Will Slow Down Economic Growth | Citizens Against Government Waste," May 10, 2021. (https://www.cagw.org/thewastewatcher/wealth-tax-will-slow-down-economic-growth) -JT

President Joe Biden and several states are working on plans to "tax the rich" to pay for programs that will purportedly address public needs like childcare and education, address income inequality, or reduce budget deficits. Like similar attempts around the world to impose wealth taxes, they will stymie economic growth, fail to raise the estimated revenue, encourage businesses to move operations

overseas or to lower tax states, and reduce the number of wealthy individuals. When "the rich" leave, taxes will be increased for everyone else.

In 1990, there were 12 European countries that had imposed a wealth tax on their citizens, but only three still have such a tax. In France, the wealth tax led to a "exodus of an estimated 42,000 millionaires between 2002 and 2012." In 2020, President Emmanuel Macron repealed the tax. According to the Organisation for Economic Co-operation and Development, the wealth tax, "was expensive to administer, it was hard on people with lots of assets but little cash, it distorted saving and investment decisions, it pushed the rich and their money out of the taxing countries—and, perhaps worst of all, it didn't raise much revenue."

During President Biden's April 28, 2021 Joint Address to Congress, he announced that to fund the $1.8 trillion American Families Plan, he wants to raise taxes for wealthy Americans, meaning no one earning less than $400,000 is supposed to see a tax increase. The plan would restore the top marginal tax rate back to 39.6 percent back from 37 percent, which was the rate provided during the Trump administration with the Tax Cuts and Jobs Act of 2017 (Pub. L. No. 115-97). President Biden also plans to end supposed loopholes which have allegedly allowed high earners to avoid paying taxes, including increasing the capital gains tax, taxing carried interest as ordinary income, and eliminating the stepped-up basis for estates (in that case creating a double estate tax). The latter two provisions have been part of the tax code for 100 years. The President is also proposing increases in the corporate tax rate, which will end up reversing the inflow of businesses moving back to the U.S. after the Tax Cuts and Jobs Act lowered the corporate tax rate.

In New York, the legislature and Gov. Andrew Cuomo (D) have been working on a budget agreement that would increase income taxes on New York City's highest earners and corporations. Gov. Cuomo was previously hesitant to raise taxes in the past because of concerns it would drive businesses out of New York, but due to revenue shortfalls stemming from the pandemic, he decided to move forward with the plan. Top wage earners in New York City will likely be paying between 13.5 percent to 14.8 percent, and the increase is expected to generate $4.3 billion a year. The likelihood of the wealth tax increase generating that much income is zero, as the city has already seen a mass exodus of wealthy taxpayers to low or no tax income states like Florida and Texas. The 2020 Census revealed that New York lost more population than any other state since 2010.

In California, another state that lost population over the past 10 years, the California Tax on Extreme Wealth bill would impose a 1 percent tax on those who have a net worth over $50 million and a 1.5 percent tax on those who have a net worth over $1 billion. A University of California-Berkeley study estimates that this would generate around $22.3 billion a year. Moderate Democrats say that the wealthiest already pay "a significant share of the state's income tax" and the imposition of additional taxes could cause them to leave the state, but progressive Democrats believe it will close the state's inequality gap. This bill would also continue collecting taxes on current California residents who choose to relocate to another state, raising questions about the bill's constitutionality.

As evidence that individuals and companies flee high tax states, a February 22, 2021 article in The Center Square by Bethany Blankley noted that more than 50 large companies have moved their headquarters from California to states like Texas since 2014, including Oracle, Hewlett Packard, and Tesla, which all began to leave in 2020. Charles Schwab left San Francisco for Dallas, and Apple is building a new campus in Austin. Wealthy individuals like SpaceX and Tesla CEO Elon Musk and Oracle

CEO Larry Ellison follow their companies to the new states. Blankley cited an analysis from the website Wirepoints that California lost $24.9 billion in adjusted gross income between 2010 and 2018. If the people who pay the highest percentage of taxes keep leaving California and other states with big-spending plans, the middle class will have to pick up the slack.

The Washington state legislature approved a 7 percent tax on capital gains over $250,000, which includes the sale of stocks and real estate. The capital gains tax is intended to fund the state's operating budget between 2021-2023. Washington is home to some of the richest people in the world, including Jeff Bezos who is the founder and CEO of Amazon, as well as Bill Gates, one of the co-founders of Microsoft (the state does not have an income tax). The bill is expected to be signed by Governor Jay Inslee (D), who has indicated his support for the measure.

According to the Manhattan Institute, wealth taxes are the least desirable form of revenue stream because wealth is too difficult to measure. Even though the federal government taxes income, the Internal Revenue Service does not keep track of wealth. Privately held companies that are not traded on the stock market also cannot not have their wealth values determined, as they are not required to report to stock owners. It is also difficult to measure wealth value since "financial assets can be hidden or moved abroad with the click of a mouse or converted into other assets."

Extension: IRS Underfunded and Understaffed to enforce such a complicated policy

IRS being weak increases tax evasion regardless of policy change

Williams 2024

Vanessa Williams is a Senior Fellow in Governance Studie and a Senior Fellow in Urban at Brookings Tax Policy Center, "Cutting IRS funding is a gift to America's wealthiest tax evaders," October 14, 2024. (https://www.brookings.edu/articles/cutting-irs-funding-is-a-gift-to-americas-wealthiest-tax-evaders/)-JT

In their first act of legislative business, the new House Republican majority voted to cut funding for the Internal Revenue Service (IRS). The vote was a symbolic effort to repeal the $80 billion increase in funding the revenue agency received last year as part of the Inflation Reduction Act. Cutting IRS funding is a terrible idea. A well-funded IRS can distribute emergency aid quickly, serve taxpayers efficiently, and help ensure that millionaires have to follow the tax laws just like everyone else. It's an essential investment in good government.

The IRS has been persistently underfunded for decades, but the years since 2010 have been particularly tough. Tax law expert Chye-Ching Huang notes that the enforcement budget of the IRS dropped by nearly a quarter in less than ten years. In 2017, the IRS employed less than 10,000 revenue agents—the last time that was true was 1953: the Brooklyn Dodgers were in the World Series, the median housing price was about $8,000, and the IRS was handling over 100 million fewer individual income tax returns a year. The IRS is also "overwhelmingly reliant" on antiquated technology, the U.S. Taxpayer Advocate

notes, "systems that are at least 25 years old, use obsolete programming languages (e.g., COBOL), or lack vendor support, training, or resources to maintain."

It is worth noting how much the IRS has managed to achieve despite its perpetually inadequate resources. When COVID struck, for example, only the IRS had the capacity to send millions of emergency checks to keep American households afloat. As my Tax Policy Center colleague Howard Gleckman has said, the IRS "did an extraordinary job in getting these checks out in very difficult circumstances."

But the budgetary toll of persistent underfunding is unmistakable. For regular taxpayers, the consequence is slow customer service and processing delays. Some politicians have irresponsibly suggested that every new IRS employee will be a gun-toting enforcement agent. Actually, the IRS desperately needs employees to process refunds and answer tax filers' phone calls. Out of the 282 million phone calls the IRS received in 2021, only 11% or 32 million were actually answered. Nearly half the new IRS money is going to taxpayer services and modernization, which will make the agency more responsive and efficient for taxpayers.

About $45 billion of the $80 billion in new funding is going to enforcement, and that is great news. For the wealthiest and most sophisticated tax filers, a cash-strapped IRS has meant a tax evasion free-for-all. Currently, the tax gap, which is the amount in taxes that are owed but not paid, comes to nearly $7 trillion over a decade. Three fifths of the tax gap is due to underreporting of income by the top 10% of taxpayers, and more than a quarter comes from the top 1%.

But the IRS has been left without the resources to hire and support the kind of tax experts who can catch wealthy tax cheats. The lack of staff was highlighted recently when it was revealed that the audit of former president Donald Trump was staffed by exactly one revenue agent. But Trump wasn't the only one whose taxes were going without thorough examination. Audits of millionaires have dropped 61% in less than a decade. For those making more than $5 million, the audit rate has dropped 87%.

At the same time, responding to a push from Congress, the IRS has focused instead on a much cheaper form of audit, targeting recipients of the Earned Income Tax Credit—i.e. low-income, working families. As a result, the EITC recipients are audited at the same rate as the top 1% of earners. As law professor Dorothy Brown explains, the consequence of high levels of EITC audits is a serious racial disparity in tax policing.

Treasury Secretary Janet Yellen has insisted that the new funding not be used to increase audit rates on those earning less than $400,000 a year. So, the new funding will help rebuild the capacity of the IRS to audit the wealthy, making the tax system far fairer. And, of course, closing the tax gap raises revenues—it's a policy that more than pays for itself. The IRS investments are expected to raise $124 billion.

The Republican effort to repeal the IRS's $80 billion funding increase will not move forward in the Democrat-controlled Senate. But the IRS might yet see its funding decline, if the House Republicans negotiate a cut in the budget fights later this year. If that happens, it is bad news for the millions of American households who pay their taxes honestly, and great news for the country's richest tax evaders. Funding the IRS will shore up an essential government service, making tax filing easier and tax enforcement fairer.

IRS underfunding costs the US millions of uncollected/unreported taxes

Huang 2020

Chye-Ching Huang was a Senior Director for Economic Policy, CBPP, "Depletion of IRS Enforcement Is Undermining the Tax Code | Center on Budget and Policy Priorities," February 11, 2020. (https://www.cbpp.org/depletion-of-irs-enforcement-is-undermining-the-tax-code) -JT

Chairman Neal, Ranking Member Brady, and distinguished members of the Committee, thank you for the opportunity to testify today.

My testimony will explain how underfunding Internal Revenue Service (IRS) enforcement empowers tax avoiders and evaders, including certain large corporations and businesses, while hurting honest tax filers. This inequity mirrors the 2017 tax law and many of its regulations. The law gave profitable corporations and wealthy households large tax cuts and new ways to game the tax code, while largely leaving low- and moderate-income Americans behind.

There is, however, promising bipartisan recognition that IRS enforcement funding is too low, and that the revenue gains from added enforcement funding would more than offset the cost. Lawmakers can build on this to restore adequate funding for the core government function of collecting taxes owed under law. Lawmakers should also pursue meaningful tax reform that strengthens the integrity of the tax code, raises revenue, and boosts workers' and families' incomes.

Figure 1 summarizes the impact of the deep cuts to IRS funding since 2010:

IRS funding overall has been cut by 21 percent in inflation-adjusted terms.

IRS enforcement funding has been cut by 24 percent in inflation-adjusted terms, even as the number of tax returns has grown by about 9 percent.[2]

The number of operations staff has fallen by 31 percent, and the number of revenue agents with the expertise to conduct audits of complex returns has fallen by 35 percent.

The audit rate overall has fallen by 45 percent, from 0.9 percent to 0.5 percent.[3]

The audit rate for corporations with more than $1 billion in assets is down 51 percent.

The audit rate for filers with more than $1 million[4] in annual income is down 61 percent.

These trends have significant implications for efforts to address the tax gap. Each year an estimated $441 billion in federal taxes owed is not paid voluntarily and on time. Underreporting of tax liability accounts for 80 percent of this gross tax gap; the other 20 percent reflects failure to file a return or failure to pay the tax reported on returns on time and in full.[5] The IRS recovers about 14 percent of the gross tax gap through enforcement efforts and other late payments, leaving a net tax gap of $381 billion.

The steep decline in audits for high-income individuals stemming from IRS underfunding means that low- and moderate-income households claiming the Earned Income Tax Credit (EITC) are now audited at roughly the same rate as the top 1 percent of filers, even though the former are responsible for less

than 10 percent of the tax gap due to underreporting while the latter may account for as much as 70 percent.

Extensions: Effectiveness

A wealth tax is ineffective at best and harmful at worst; one of the harms is tax evasion

Edwards 2022

Chris Edwards occupies the Kilts Family Chair in Fiscal Studies at the Cato Institute and is the editor of DownsizingGovernment.org. He is a top expert on federal and state tax and budget issues., "Rich Americans hide "billions" offshore thanks to tax loophole, Senate panel finds," August 25, 2022. (https://www.cbsnews.com/news/tax-evasion-billions-offshore-fatca-tax-reporting-loophole-senate-finance-committee-robert-brockman/)-JT

Taxing the wealthy is a hot issue among Democratic candidates for president. Sen. Elizabeth Warren (D-MA) is proposing an annual wealth tax on the richest households, while other candidates are proposing higher taxes on incomes, estates, capital gains, and corporations.

Calls for tax increases are animated by claims about the fairness of income and wealth distributions in the economy. Warren wants to address “runaway wealth concentration,” while Sen. Bernie Sanders (I-VT) says that the wealthy are not “paying their fair share of taxes.” The proposed tax increases run counter to the international trend of declining tax rates on capital income and wealth. The number of European countries with a Warren-style wealth tax has fallen from 12 in 1990 to just 3 today. The Europeans found that imposing punitive taxes on the wealthy was counterproductive. Wealth taxes encouraged avoidance, evasion, and capital flight. In most countries, wealth taxes raised little revenue and became riddled with exemptions.

This study discusses why targeting wealth for higher taxation is misguided. Wealth is simply accumulated savings that economies need for investment. The fortunes of the richest Americans mainly consist of active business assets that generate jobs and income. Increasing taxes on wealth would not help workers, but instead would undermine productivity and wage growth. Basic economic theory suggests that taxes on capital should be low, and that conclusion is strengthened by the realities of today’s global economy. Furthermore, wealth taxes are even more distortionary than current federal taxes on capital income.

Nonetheless, taxing capital in a fair and efficient manner is a challenge. This study argues that the best approach would be a consumption-based tax system. Such a system would tax capital income but in a simpler way that does not stifle investment and economic growth. Recent U.S. proposals to increase taxes on wealth and capital income run counter to the lessons learned about efficient taxation in the global economy. The Europeans discovered that imposing punitive taxes on the wealthy undermined

economic growth. They found that wealth taxes encouraged tax avoidance and generated capital flight. European wealth taxes raised little money and became riddled with exemptions.

Wealth is accumulated savings, which is needed for investment. The fortunes of the richest Americans are mainly socially beneficial business assets that create jobs and income, not private consumption assets. Raising taxes on wealth would boomerang against average workers by undermining their productivity and wage growth. Senator Warren says that she wants rich people to "pay a fair share, so the next kid has a chance to build something great and the kid after that and the kid after that."But encouraging the wealthy to invest in new and expanding businesses is what creates opportunities for those young people, not redistributing more income through the tax code.

Creating a fair and efficient method of taxing capital is a challenge, but experts are widely agreed that wealth taxes are an inefficient way to do so. Rather than sin taxes, wealth taxes are virtue taxes that penalize the wealthy for being frugal and for reinvesting their earnings. Rather than imposing a wealth tax or raising tax rates on capital income, policymakers should rethink the overall federal approach to taxing capital. A better way is through consumption-based taxation, which would tax wealth but in a simpler way that does not stifle savings, investment, and growth.

A wealth tax is the least desirable way to obtain funding

Schrager 2023

Allison Schrager is a senior fellow at the Manhattan Institute and a City Journal contributing editor, "Issues 2020: What's Wrong with a Wealth Tax," March 3, 2023. (https://manhattan.institute/article/issues-2020-whats-wrong-with-a-wealth-tax) -JT

In the coming months, Americans can expect calls to tax the wealth of the richest citizens. There are four oft-cited justifications for such a measure: inequality is rising, and there is a need to restore fairness; more revenue is necessary to bring exploding deficits under control, and taxing the wealthy is the least harmful way to do so; extreme wealth disparities harm economic growth; and the rich use their wealth to rig the political system, so democracy requires leveling the playing field.

Wealth inequality is indeed increasing, the country does need more tax revenue, and special interests can get government favors. But none of these reasons justifies a wealth tax, which could damage the economy while raising little revenue. Instead, a better solution for raising additional revenue would be to remove the many existing distortions in the tax system.

1. Wealth inequality has increased but is not exploding.

The share of domestic wealth held by the wealthiest 0.1% of Americans rose from 7% to 14% over the past four decades, 1978–2016.[4] That increase is significant, but it is only half as large as the estimates that proponents of a wealth tax frequently cite.

The richest Americans tend to be self-made entrepreneurs: 67% of the Forbes 400 richest Americans are self-made, and eight of the top 10 all got to where they are by creating successful businesses.

There is no evidence that reducing wealth inequality will increase economic growth. It may even harm growth because it discourages saving and investment.

2. Of all the possible types of ways to collect revenue, wealth taxes are the least desirable.

Wealth taxes are inefficient and ineffective because wealth is inherently more difficult to measure. Privately held companies, for example, are not traded in public markets, which means that there are no stock prices by which one can objectively gauge their value. Also, financial assets can be hidden or moved abroad with the click of a mouse or converted into other assets that are hard to value.

A dozen European countries had a wealth tax in 1990, but most abandoned them because they were ineffective and expensive to administer. In part, the taxes failed to raise much revenue because wealthy individuals easily moved their assets across borders to avoid taxation. Today, only Switzerland, Norway, Belgium, and Spain still have wealth taxes, but the rates—0.3%–1%, 0.85%, 0.15%, and 0.2%–2.5%, respectively—are much lower than the 2%–6% proposed by advocates such as Senator Elizabeth Warren for the United States. With a small enough rate, there is much less incentive to evade the tax, but far less revenue is raised. Switzerland collects the most from its wealth tax; and it only brings in about 3% of its tax revenue.[5]

Wealth taxes distort behavior in a way that is harmful to economic growth and national prosperity. By taking a fraction of people's wealth each year, the tax reduces the return to investing and discourages saving. This can reduce growth because investing and capital accumulation are critical to innovation.

There is no clear evidence that rising inequality of wealth has harmed economic growth. Traditionally, economists thought that there was a trade-off between growth and equality. More growth necessarily meant that some people became very rich as the result of starting very productive companies, fashioning new technologies, synthesizing drugs, or devising new and popular products. Reaping the rewards meant that they earned far more than others, although their income (and wealth) did not come at the expense of everyone else. Conversely, taxing wealth and redistributing it enhanced economic equality, but it also reduced incentives to invest and innovate. Tolerating inequality was considered a worthwhile trade-off because a wealthier, albeit more unequal, economy has the potential to make everyone better off from rising living standards. And with appropriate redistributive policies, some of the wealth could fund social insurance while still rewarding successful entrepreneurs. However, Saez and Zucman[9] claim that entrepreneurs don't require outsize rewards to take risks and innovate and that reducing inequality, for its own sake, can increase growth.

Illiquid assets prove to be a major problem in wealth tax collection; most of the funds its after don't even exist

Nemeth 2024

Mitchell Nemeth holds a Master in the Study of Law from the University of Georgia School of Law and is an editor at the Eoundation for Economic Education. "Why a Wealth Tax Can't Solve Our Problems," February 6, 2024. (https://fee.org/articles/why-a-wealth-tax-can-t-solve-our-problems/)-JT

Politicians from Senator Bernie Sanders to Senator Elizabeth Warren are counting on increasing federal revenues from wealthy taxpayers, using an "Ultra-Millionaire Tax" to cover their vast expansions of entitlements. As Jonah Goldberg writes at National Review, when taxes come overwhelmingly from the rich, sometimes called "the donor class," the rich are more inclined to care about rule-making.

Imagine how difficult it would be for the Internal Revenue Service (IRS) to establish guidelines for assessing the value of an obscure painting or sculpture. Wealthy taxpayers are likely to challenge the IRS' valuation of their assets in courts. For example, as the Washington Examiner noted, in the years after Michael Jackson died in 2009, the IRS said that the value of the pop star's name and image, the total value of his "estate," was more than $434 million. The estate's own valuation? Just $2,105. This disparity jeopardizes hundreds of millions in taxes for the state.

A wealth tax differs from income or sales taxes in that it focuses on assets "regardless of whether they're sold, traded or earn a dividend." This concept relies on the value of one's assets assuming they were to be sold right now. Unlike general income or capital gains, wealth is reliant on the market value, unlike general income from wages. Think of a wealth tax along the lines of a property tax or an estate tax.

A wealth tax matters to the public writ-large because wealth is not stagnant. For example, I may hypothetically own $5 million in shares of Amazon stock that I purchased for $1 million, but I do not have $5 million in cash on hand. A wealth tax requires the government to assess my current wealth ($5 million) and tax me accordingly. Let's say the wealth tax is four percent. A wealth tax not only violates the basic principles of fairness, but it is also highly impractical and difficult to enforce. Assuming the value of all of my assets is accrued into the value of my Amazon shares, I would owe $200,000 in taxes on $5 million I don't have in cash.

The so-called monolithic "ultra-wealthy" have diversified assets, so they would be more likely to have cash to cover the cost of the wealth tax. However, it is not certain that their assets are liquid. Liquidity is the ease of converting an asset to cash. For example, a wealthy landowner might own farmland valued at over $60 million but otherwise may only have $450,000 in liquid assets.

A wealth tax of four percent would require this individual to pay $2.4 million in tax; however, the landowner does not have sufficient cash to cover the tax. In order to afford this tax, the landowner may have to sell a portion of his farmland depending on the statutory requirements. Essentially, this form of tax not only violates the basic principles of fairness, but it is also highly impractical and difficult to enforce.

A wealth tax would need to define what value appraisals and other assets that add to wealth amount

Wiley 2023

Bruce Willey is the Founder of American Tax and Business Planning and an editor at Kiplinger, "Why a Wealth Tax Would Be Terrible for American Taxpayers," October 4, 2023. (https://www.kiplinger.com/taxes/why-a-wealth-tax-would-be-terrible-for-american-taxpayers) -JT

A wealth tax has all the existing bad features of the current income tax — complex, expensive to administer, costly to comply with, subject to manipulation and avoidance by those with the most resources and badly distorting of economic activity and capital formation.

First, a wealth tax violates the long-standing American principle that we're allowed to build wealth and grow the value of assets and that we don't pay taxes on that growth until we dispose of the asset. In effect, a wealth tax imposes what can be thought of as a third level of taxation — after income tax and capital gains tax — on the most productive drivers of the U.S. economy.

Second, no matter how it's positioned, a wealth tax is not based on objective facts. It's subjective, because wealth must be appraised, and appraisals are opinions. Marketable securities are easy to mark to market. But how about stock in private companies? How about large real estate holdings? How about a stamp collection? How about a franchise contract?

A large proportion of tax court cases come about because of disputes over what the IRS thinks an asset is worth and what the taxpayer says it's worth. Can you imagine the chaos when every asset of every wealthy taxpayer has to be annually evaluated and assessed? Third, don't for a moment imagine that the wealth tax will remain on "the wealthy." The U.S. income tax when created in 1913 had a 1% bracket that jumped to 6% if your income was above about $14 million in today's dollars. That, of course, is not where the top tax bracket stayed, hitting 77% just five years later.

Then there's the issue of deciding who's wealthy and needs to pay the tax. Wealthy in rural Oklahoma might be just getting by in Miami. An 85-year-old widow on a fixed income living in the same three-bedroom Northern California home for the past 50 years is probably a multimillionaire from her home equity. But is she wealthy? And who makes the call, and what are the exceptions? You can bet that all sources of wealth — retirement savings like Roth IRAs, your pension fund value, money you've socked away for your kids' and grandkids' education — will be fair game for the wealth-tax man.

Such a tax is fuel for financial nightmares. What happens when an asset-rich, cash-poor taxpayer, such as a farmer, doesn't have enough liquidity to pay their wealth tax? The answer: forced sales. What happens in forced sales? The seller is almost always under distress and has to sell at low prices. And who's got the liquidity to scoop up distressed assets at a discount? The wealthiest among us. So the wealth tax isn't in any way equitable and doesn't just cost what the government requires — it also does active damage to the portfolios of the taxed. Would the IRS offer taxpayers a credit in years that asset values and the stock markets plunge? Hardly. Think of a wealth tax as a one-way ratchet growing tighter and tighter around your wallet.

A wealth tax will turn all wealthy households into poor ones

Feigenbaum 2023

James Feigenbaum is a Contributing Scholar CGO and an Associate Professor at Utah State University. Professor Feigenbaum has a Ph.D. in economics from the University of Iowa and a Ph.D., "Is a Wealth Tax the Best Way to Fight Wealth Inequality?," August 29, 2023. (https://www.thecgo.org/research/is-a-wealth-tax-the-best-way-to-fight-wealth-inequality/)-JT

National conversations about wealth inequality in the United States have led to proposals for a wealth tax. The motivation is to tax concentrated wealth to raise revenues for public programs and redistribution.

Combining insights from macroeconomic models, James Feigenbaum and Austin Brooksby examine the effects of different wealth tax proposals on wealth inequality. The two models of the economy that they consider are infinite-horizon model and the overlapping-generations model. Infinite-horizon models assume that households never leave the economy and exist forever. The overlapping-generations model assumes that households move in and out of the economy in the same way that generations of people do. Generations share time together in the economy as a new generation enters and the older generation begins to die off.

Both infinite-horizon models and the overlapping-generation models are commonly used by economists, but a persistent question is how to reconcile these models when their predictions differ. In the case of wealth taxes, the overlapping-generations model suggests that social welfare rises with a wealth tax while the infinite-horizon model suggests that social welfare falls when a wealth tax is implemented.

The authors' solution to this conflict is to combine the two models into a hybrid, called a segregated-economy model. This model treats wealthy households as infinite as they pass along sufficient wealth to their children that makes their household effectively infinite. In contrast, poor households are finite because their children do not inherit comparable wealth.

This hybrid model suggests that wealth taxes can significantly reduce social welfare even at low rates of two or three percent. This is because a wealth tax encourages wealthy households to consume rather than save. This reduction in savings translates into a lower level of funds available for investment and economic growth.

The paper estimates that a wealth tax of two percent a year would be sufficient to turn all wealthy households into poor households. This means that households reduce their savings and choose to consume more instead. The lack of savings reduces the stock of economic capital (productive machinery and factories) by 20 percent. In turn, this reduction in capital reduces the economy's overall productivity. Output and wages both fall by roughly seven percent. This equals nearly twice the reduction in output that occurred, albeit only temporarily, during the Great Recession.

In the segregated-economy model, wealth taxes ultimately harm social welfare by reducing wages. Yet the model suggests that it may be possible to reduce wealth inequality by paying off the public debt by utilizing wealth taxes with a short-term sunset provision. The model shows that paying down the public debt can reduce wealth inequality. That is because paying down debt, unlike a wealth tax, does not encourage the wealthy to consume instead of saving. So the economy remains productive, wages do not

fall. Yet the level of taxation needed to finance public spending and debt payments falls. That allows poorer households to retain more of their wealth.

As the economy continues its recovery from the COVID-19 pandemic, the relevant question is how governments should pay for the economic recovery. In the short run, these expenditures will be financed by borrowing. Eventually, the bill must come due. This research suggests that a permanent wealth tax would harm the economy. However, history suggests that the wealthy will recover from the recession sooner than the rest of the population. The author finds that this would justify raising taxes on the wealthy in the short term to help pay down the public debt, but also recommends that increased taxes should be temporary to avoid long-term negative impacts on economic growth.

A Wealth tax does not reduce income inequality

Brannon 2020

Ike Brannon is a Former Contributor at Forbes and is a senior fellow at the Jack Kemp Foundation , "A Wealth Tax Is Not A Solution For Income Inequality," September 29, 2020 (https://www.forbes.com/sites/ikebrannon/2020/09/29/a-wealth-tax-is-not-a-solution-for-income-inequality/)-JT

Biden's tax plan calls for increasing the top corporate tax rate and the top personal tax rate, removing the cap max for social security, and ending the preferred tax rate for capital gains for wealthy Americans.

The Tax Foundation and the Tax Policy Center project that his tax plan would generate somewhere between $3.2 to $4 trillion over the next ten years. However, a wealth tax would do nothing to help low-income earners while hurting the rest of the economy. Wealth taxes are difficult to administer and—more importantly—invariably reduce savings, investment, productivity, and economic growth.

A wealth tax imposes an annual tax based not on a person's income but on their net assets. For instance, the wealth tax advocated by Senator Bernie Sanders would impact only people who own more than $32 million of assets. Its rates would range from 1 percent at the bottom to 8% for wealth above $10 billion, and it would raise an estimated $4.4 trillion in ten years—more than the entire Biden plan. While the wealth tax champions aver that such a tax would only impact the wealthiest of the wealthy, a tax on wealth would be much more harmful than Biden's proposed tax increases and would end up reducing the wealth of everyone, rich or poor.

A wealth tax short-circuits that process by merely reducing income at the very top of the distribution. While doing such a thing will, in fact, allow inequality measures to report significant progress, doing so would do nothing by itself to improve living standards of people at the bottom of the distribution, or make it easier for people to climb up the income ladder. It's akin to losing weight by lopping off body parts—it achieves a numeric goal but is counterproductive for the overarching goal.

Its advocates invariably counter by saying that if those trillions are spent effectively it would lead to steep gains in living standards, but much of what they propose to spend that money on—such as Medicare for all or free college tuition for everyone—would do little to help them. They amount to entitlements that would ultimately benefit middle class workers and above more than people at the bottom.

Extensions: Tax Evasion

Norway had its rich citizens leave during a wealth tax

Neate 2023

Rupert Neate is a freelance journalist at The Guardian, "Super-rich abandoning Norway at record rate as wealth tax rises slightly" April 10, 2023. (https://www.theguardian.com/world/2023/apr/10/super-rich-abandoning-norway-at-record-rate-as-wealth-tax-rises-slightly) -JT

A record number of super-rich Norwegians are abandoning Norway for low-tax countries after the centre-left government increased wealth taxes to 1.1%. More than 30 Norwegian billionaires and multimillionaires left Norway in 2022, according to research by the newspaper Dagens Naeringsliv. This was more than the total number of super-rich people who left the country during the previous 13 years, it added. Even more super-rich individuals are expected to leave this year because of the increase in wealth tax in November, costing the government tens of millions in lost tax receipts. Many have moved to Switzerland, where taxes are much lower. They include billionaire fisher turned industrial tycoon Kjell Inge Røkke who moved to the Italian-speaking city of Lugano, just over the border from his favoured hangout Lake Como and the fashion capital Milan.

Røkke, 64, is the fourth-richest Norwegian, with an estimated fortune of about NOK 19.6bn (£1.5bn). In an open letter, he said: “I’ve chosen Lugano as my new residence – it is neither the cheapest nor has the lowest taxes – but in return, it is a great place with a central location in Europe … For those close to the company and to me, I am just a click away.” His relocation will cost Norway about NOK 175m in lost tax revenue a year. Last year, Røkke was the country’s highest taxed individual. Dagens Næringsliv calculated that he has paid about NOK 1.5bn in tax since 2008.

His move to Switzerland follows a relatively small increase in tax aimed at the country’s super-rich, who face wealth taxes at both the local and state level. That includes a municipal tax of 0.7% on assets in excess of NOK 1.7m for individuals, or NOK 3.4m for couples. There is also a state wealth tax rate of 0.3% on assets above NOK 1.7m. In November, the government raised the state rate to 0.4% for assets above NOK 20m for individuals, and NOK 40m couples, taking the maximum wealth tax rate to 1.1%. Ole Gjems-Onstad, a professor emeritus at the Norwegian Business School, said he estimated that those who had left the country had a combined fortune of at least NOK 600bn.

“In my opinion it is a little bit like Brexit. Norway has no great tradition of self-harm, and the flood of entrepreneurs moving abroad has come as something of a shock,” Gjems-Onstad, said. “Some politicians

are, as you know, blaming the wealthy people moving, but I think many ordinary people quite simply do not like that our best investors are leaving."

Tord Ueland Kolstad, a retail estate and Salmon farming investor, with a fortune of about NOK 1.5bn, has moved from Bodø in northern Noway to Lucerne in Switzerland. "This was not what I wanted, but the toughened and increased tax rules of the current government means that I, as the founder and responsible owner, have no choice," he told the Norwegian broadcaster TV 2.

Kolstad said the increase in the wealth tax meant he would pay just over NOK 6m, which he complained would mean he would need to pay himself a dividend of NOK 10m to take into account increased dividend tax. "This is unfortunately the reality of today's tax policy. It is unjustifiable to impose such costs on the company when you want to create new jobs," he said.

Historically, the wealth tax did not generate enough revenue to create one

Edwards 2019

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Wealth-tax supporters do not seem concerned about the likely damage to economic growth. But they should know that from a practical standpoint, wealth taxes in other countries have raised little money and have been a beast to administer.

More than a dozen European countries used to have wealth taxes, but nearly all of these countries repealed them, including Austria, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, the Netherlands, Luxembourg, and Sweden. Wealth taxes survive only in Norway, Spain, and Switzerland. Before repeal, European wealth taxes — with a variety of rates and bases — tended to raise only about 0.2 percent of gross domestic product in revenue, based on Organization for Economic Cooperation and Development data. That is only 1/40th as much as the U.S. federal income tax raises.

Yet for little revenue, wealth taxes are difficult to administer and enforce. They may require taxpayers to report the values of financial securities, homes, furniture, artwork, jewelry, antiques, vehicles, boats, pension rights, family businesses, farm assets, land, intellectual property, and much else. But owners do not know the market values of many assets, and values change over time, so costly wealth-tax compliance would only make accountants wealthy. And what about wealth held abroad? There is no way the Internal Revenue Service would be able to track down and value everything U.S. residents owned on a global basis.

In the 1970s, the British Labour government pushed for a national wealth tax and failed. The minister in charge, Denis Healey, said in his memoirs, "We had committed ourselves to a Wealth Tax; but in five

years I found it impossible to draft one which would yield enough revenue to be worth the administrative cost and political hassle." Another problem is that wealth taxes have disappearing tax bases. In Europe, politicians carved out an increasing number of exemptions from tax bases to appease special interests. Exemptions were often provided for farm assets, small businesses, pension assets, artwork, and other items.

And here's the kicker: Since the base of wealth taxes is net wealth, debt is deductible. That allowed wealthy Europeans to jack up their borrowing and invest in the exempted assets to shrink their tax bases. If a wealth tax were imposed in the United States, the farm lobby would most certainly get farmland excluded. Then rich people would borrow heavily and invest in farmland, thus shrinking the tax base and distorting the economy.

Magnus Henrekson and Gunnar Du Rietz studied the history of the Swedish wealth tax. They found that "people could with impunity evade the tax by taking appropriate measures," including taking on excessive debt to buy exempted assets. The Swedish wealth tax also prompted large outflows of capital and the expatriation of well-known business people, such as the founder of Ikea, Ingvar Kamprad. Henrekson and Du Rietz conclude, "The magnitude of these outflows was a major motivation for the repeal of the wealth tax in 2007."

It was the same story with the French wealth tax, which was imposed in 1982 and repealed in 2017. Over the years, a parade of French businesspeople and celebrities left the country to avoid the tax — many going to Belgium, which is also a high-tax country but has no wealth tax. The government estimated in 2017 that "some 10,000 people with 35 billion euros worth of assets left in the past 15 years" for tax reasons. French economist Eric Pichet estimated that the outflows were much larger.

As the wealthy moved abroad, the government lost revenues from a range of other taxes they would have paid. Pichet calculated that while the wealth tax raised about 3.5 billion euros a year, the government lost 7 billion euros a year from reductions in other taxes.

In a 2018 article for the International Monetary Fund, economists James Brumby and Michael Keen conclude: "The design of wealth taxes is notoriously prone to lobbying and the granting of exemptions that the wealthiest can exploit. Furthermore, the rich have proved adept avoiding or evading taxes by placing their wealth abroad in low tax jurisdictions."Senator Warren and other liberals rightly denounce cronyism and tax avoidance by the rich, but a wealth tax would generate more of those ills. If Warren's plan were enacted, the rich would descend on Congress to lobby for exemptions while cranking up debt and hiding their taxable assets here and abroad.

If the government wants to tax for fairness, they should push to close existing income-tax loopholes. The tax exemption for municipal-bond interest, for example, would be a good target because it mainly benefits the wealthy. Closing such loopholes would reduce distortions and simplify taxation — the exact opposite effects of adding a wealth tax.