ISSUES

Tax on Extreme Wealth

In order to reduce the outrageous level of inequality that exists in America today and to rebuild the disappearing middle class, we must establish an annual tax on the extreme wealth of the top 0.1%.

Bernie

Details

Today, the United States has more income and wealth inequality than almost any major country on Earth, and it is worse now than at any time since the 1920s.

At a time when millions of Americans are working two or three jobs to feed their families, the three wealthiest people in this country own more wealth than the bottom half of the American people.

Over the last 30 years, the top 1 percent has seen a $21 trillion increase in its wealth, while the bottom half of American society has actually lost $900 billion in wealth. In other words, there has been a massive transfer of wealth from those who have too little to those who have too much. For the sake of our democracy and working families all over America who are struggling economically, that has got to change.

In order to reduce the outrageous level of inequality that exists in America today and to rebuild the disappearing middle class, the time has come for the United States to establish an annual tax on the extreme wealth of the top 0.1 percent of U.S. households.

This wealth tax would only apply to net worth of over $32 million and would raise an estimated $4.35 trillion over the next decade. Anyone who has a net worth of less than $32 million would not see their taxes go up at all under this plan.

The revenue raised under this plan would be used to fund Bernie's affordable housing plan, universal childcare and would help fund Medicare for All.

How the Tax on Extreme Wealth Would Work

This tax on extreme wealth would have a progressive rate structure that would only apply to the wealthiest 180,000 households in America who are in the top 0.1 percent.

It would start with a 1 percent tax on net worth above $32 million for a married couple. That means a married couple with $32.5 million would pay a wealth tax of just $5,000.

The tax rate would increase to 2 percent on net worth from $50 to $250 million, 3 percent from $250 to $500 million, 4 percent from $500 million to $1 billion, 5 percent from $1 to $2.5 billion, 6 percent from $2.5 to $5 billion, 7 percent from $5 to $10 billion, and 8 percent on wealth over $10 billion. These brackets are halved for singles.

Under this plan, the wealth of billionaires would be cut in half over 15 years which would substantially break up the concentration of wealth and power of this small privileged class.

Under current law, the IRS is already required to assess the net worth of the wealthiest Americans when they pass away, to calculate estate tax liability. A federal wealth tax would require the IRS to make the same assessment on an annual basis for the wealthiest Americans. Steps would also be taken to streamline the process for purposes of the wealth tax.

For assets that are difficult to appraise, the Treasury Department would have the option of allowing taxpayers to have appraisals done periodically instead of annually. The Treasury Department would establish the average rates of appreciation for several classes of assets. Those appraised only every few years would be assumed to appreciate in the intervening years at the average rate established for their designated class.

Assets placed in a trust would be treated as owned by the grantor of the trust (by the person giving assets to the trust) until that person's death.

A Wealth Tax Is Enforceable

In order to ensure that the wealthy are not able to evade the tax, the proposal includes a number of key enforcement policies. First, it would create a national wealth registry and significant additional third party reporting requirements.

Second, it includes an increase in IRS funding for enforcement and requires the IRS to perform an audit of 30 percent of wealth tax returns for those in the 1 percent bracket and a 100 percent audit rate for all billionaires. Third, the wealth tax includes a 40 percent exit tax on the net value of all assets under $1 billion and 60 percent over $1 billion for all wealthy individual seeking to expatriate to avoid the tax. Finally, the wealth tax proposal will include enhancements to the international tax enforcement and anti-money laundering regime including the strengthening of the Foreign Account Tax Compliance Act.

A Wealth Tax Is Constitutional

Since 1916, we have taxed the inherited wealth of the richest people in this country through the estate tax. For more than 100 years, we have taxed investment income from capital gains and dividends. In order to reduce extreme inequality, we must also establish a tax on the net worth on the top 0.1 percent.

Bruce Ackerman and Anne Alstott, two highly respected Yale law professors, have both written in support of a wealth tax on the richest Americans in this country. Here is what they wrote for the Los Angeles Times on September 20, 2011:

"In the United States, anti-tax zealots will try to use the Constitution to cut off debate about a wealth tax before it begins. Article 1, Section 8 grants Congress plenary power to impose any and all 'taxes, duties, imposts and excises,' but it contains a special limitation on 'capitation and other direct taxes.' Under this little-known proviso, such taxes may be imposed only if they are apportioned among the states according to their population. This provision was part of a compromise with the slave-holding South, and its intention was to prevent the North from imposing a "head tax" on slaves because this could not be apportioned equally among the population of all the states.

Given its origins, this provision has consistently been construed very narrowly by the Supreme Court, which has found only head taxes and real estate levies to be within its scope … Given this history, it is extremely unlikely that the justices will cite the founders' original compromise with slavery to bar a tax that would serve the cause of economic equality and democratic legitimacy. The Roberts court may be conservative, but it is not quite as reactionary as all that."

Many more articles, including a very recent one published by the American Bar Association, make the unambiguous case for the wealth tax's constitutionality.

Demanding that the Wealthiest Americans Pay Their Fair Share Isn't Radical

The reality is that we already have a wealth tax in America – the property tax -and it disproportionately impacts working class families. One of the biggest sources of wealth for middle-income families is owner-occupied homes, which are taxed in most states at rates that can be as high as, or even higher than, 1 percent. Meanwhile, the vast majority of the wealth owned by the top 0.1 percent of Americans is not housing or real property and is not subject to any sort of property tax.

This proposal would ensure that assets owned by the top 0.1 percent are taxed the same way as much of the wealth owned by the middle-class is already taxed.

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