Four Ways to Raise More Revenues from High-Income Americans

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Based on the dramatic increases in wealth and income inequality, the financing of a progressive agenda should begin with measures to raise revenues from high-income and wealthy households. I estimated the revenues streams over 10 years from four measures to ensure that wealthy Americans pay more of their fair share.

- Tax capital income at the same rates as labor income;
- Apply a 0.5 percent tax to the value of the financial assets of the top 1 percent;
- Apply a 0.1 percent tax to the value of financial transactions;
- Increase the corporate income tax rate to 30 percent.

The table below shows that all four approaches raise very large amounts of revenues:

Estimated Annual Revenues from Four "Fair Share" Tax Reforms, 2019-2028 ($ billions)

Tax	2019	2020	2021	2022	2023
Tax Capital Income at Labor Rates	$97.8	$142.4	$146.3	$150.4	$154.6
0.5% Tax on Top 1%'s Financial Assets	$182.5	$192.6	$203.2	$214.3	$226.1
0.1% Financial Transaction Tax	(-$43.9)	$22.0	$70.2	$93.2	$100.7
Raise Corporate Rate to 30%	$41.4	$61.2	$70.2	$75.6	$85.5

Tax	2024	2025	2026	2027	2028
Tax Capital Income at Labor Rates	$158.9	$163.3	$167.9	$172.6	$177.3
0.5% Tax on Top 1%'s Financial Assets	$238.6	$251.7	$265.5	$280.1	$295.5
0.1% Financial Transaction Tax	$103.7	$106.2	$106.3	$107.9	$110.4
Raise Corporate Rate to 30%	$93.6	$100.8	$107.1	$114.3	117.0

Estimated 10-Year Revenues from "Fair Share" Tax Reforms, 2019-2018

Tax	10-Year Revenues
Tax Capital Income at Labor Rates	**$1,531.5 billion**
0.5% Tax on Top 1%'s Financial Assets	**$2,350.1 billion**
0.1% Financial Transaction Tax	**$820.6 billion**
Raise Corporate Rate to 30%	**$866.7 billion**

All four approaches also represent mainstream reforms to ensure wealthy Americans pay their fair share.

- Taxing capital income at the same rate as labor income was supported by Ronald Reagan in his original tax reform proposals.

- Applying a 0.5 percent wealth tax on financial assets differs from Senator Warren's 2.0 percent tax on all forms of wealth. Financial institutions already calculate the end-ofyear value of the financial assets of their customers, while there is no comparable annual accounting of the value of other forms of assets such as houses, art and gems. Further, in contrast to this 0.5 percent tax, Warren's 2.0 percent tax would lead many wealthy people to move their assets offshore and shift their financial transactions to foreign markets

- Similarly, the financial transaction tax is set at 0.1 percent to minimize investors shifting their transactions from U.S. to foreign financial markets.

- Raising the corporate rate to 30 percent would still represent a substantial reduction from the 35 percent rate long applied before Trump's December 2017 tax changes.

Using Fair Share Revenues to Ease the Burden of Payroll Taxes

I also analyzed whether the revenues from any of these reforms could cover a meaningful reduction in the burden of payroll taxes on average Americans. The most progressive way to ease those burdens is to exempt an initial amount of people's wages and salaries from the tax. I estimated the costs of exempting the initial $5,000, $7500 and $10,000 of a worker's wages and salaries from the employee side of OASDI payroll taxes. This approach does not affect the Medicare tax or reduce the employer side of the payroll tax.

Revenue Cost of Exempting $5,000, $7,500 or $10,000 in Labor Income From OASDI Taxes for Employees, 2019-2028 ($ billions)

2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
$5,000 Exemption										
-$62.2	-$64.2	-$66.3	-$68.5	-$70.7	-$73.0	-$75.3	-$77.7	-$80.3	-$82.8	**-$721.1**
$7,500 Exemption										
-$93.4	-$96.4	-$99.5	-$102.7	-$106.0	-$109.4	-$113.0	-$116.6	-$120.4	-$124.3	**-$1,081.6**
$10,000 Exemption										
-$124.5	-$128.5	-$132.6	-$136.9	-$141.3	-$145.9	-$150.6	-$155.5	-$160.5	-$165.7	**-$1,442.1**

This analysis shows that the $5,000 exemption could be financed by a 0.1 percent financial transaction tax or by raising the corporate income tax rate to 30 percent.

Similarly, a $7,500 exemption and a $10,000 exemption could be financed by the 0.5 percent tax on financial assets or by taxing capital income at the same rate as labor income, with substantial excess revenues available for other purposes

Sources:

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