Reading:
New Proposals to Tax Wealth

Income and wealth inequality is a major issue in the 2020 presidential election.

The likely Republican nominee, President Trump, has said that he is addressing income inequality by presiding over a growing economy. The Trump administration pointed to 2019 Census Bureau data showing income increases for Americans. According to the U.S. Census Bureau, the real median income of family households increased 1.2 percent between 2017 and 2018.

However, the Bureau’s data also showed that income inequality had grown, reaching a record level in 2018.

The wealth gap has also continued to widen. The U.S.’s three richest individuals (Bill Gates, Warren Buffett, and Jeff Bezos) collectively hold more wealth than the bottom 50 percent of the domestic population, a total of 160 million people – at a time when millions of Americans are struggling to cover the cost of housing, healthcare, and education.

The “wealth gap” between Black households and white household is wide, and stems from centuries of racist policies and institutions (from slavery to housing discrimination to mass incarceration). In 2016, the typical white family had about 10 times the wealth of the typical Black family and about 7.5 times the wealth of the typical Latinx family. The median wealth of white families was $163,000 in 2016; the median wealth of Black families was $16,000; the median wealth of Latinx families was $22,000. (The racial income gap is wide too, but less dramatic: In 2018, the median white and Asian workers made more than 30 percent more than the typical Black and Latinx workers.)

Democratic contenders for the presidency see growing economic inequality as a major issue – and some emphasize not only income inequality, but wealth inequality. Candidates have offered a range of proposals to address this inequality.

Two Democratic presidential candidates – Senator Elizabeth Warren and Senator Bernie Sanders – have released proposals for a “wealth tax” that directly addresses wealth inequality. The money raised through these plans would help fund some of the proposals made by these candidates – such as health insurance for all, free tuition for public colleges and universities, universal childcare, and a Green New Deal (including transition to a green economy and support for those most at risk from the climate crisis).
Warren Plan

Senator Warren’s plan applies only to households with a net worth above $50 million — an estimated 70,000 households in total. She would apply a 2 percent additional tax on net worth from $50 million to $1 billion, and a 3 percent tax on households with a net worth above $1 billion. The tax brackets would be the same for married and single filers. Warren projects that her plan would raise $2.6 trillion over the next decade, or $260 billion per year.

For a sense of scale, the total budget for the state of California was about $190 billion in 2018. The proposed U.S. Defense Department budget for 2020 is $738 billion.

Sanders Plan

Senator Sanders has proposed a 1% additional tax on households with a net worth of over $32 million (and single filers with net worths more than $16 million), affecting 180,000 households. The plan has several brackets, with a 2% tax over $50 million, 3% over $250 million, 4% over $500 million, 5% over $1 billion, all the way up to 8% on a net worth of over $10 billion. The tax would raise an estimated $4.35 trillion over a decade, or $435 billion per year.

While both candidates see their plans as a way to generate revenue for addressing inequality, Sanders is more explicit about his goal of reducing the wealth of the nation’s billionaires; he would cut their wealth in half over 15 years.

For Discussion

1. What benefits might a wealth tax bring? What problems do you envision?

2. Is it up to the federal government to redistribute wealth in this way? Why or why not?

3. Do you think the U.S. should enact a wealth tax? Why or why not?