



Ensuring Fair Taxation of the Ultrawealthy to Strengthen Our Nation

Testimony before United States Senate Committee on Finance

Hearing on “The 2025 Tax Policy Debate and Tax Avoidance Strategies”

Thursday, September 12, 2024

10:00 am ET

215 Dirksen Senate Office Building

Indivar Dutta-Gupta

Doris Duke Distinguished Visiting Fellow, McCourt School of Public Policy at Georgetown University

Tax Fellow, Roosevelt Institute

Acknowledgments: I thank Liz Pancotti, Zachary Liscow, Bobby Kogan, Bob Lord, Chye-Ching Huang, Josh Bivens, Galen Hendricks, Steve Wamhoff, Grace Henley, Brendan Duke, and Oskar Dye-Furstenberg for sharing their thoughts and resources. All ideas and errors are mine.

Thank you, Senator Wyden, Senator Crapo, and members of the Senate Finance Committee. I am a Doris Duke Distinguished Visiting Fellow at the McCourt School of Public Policy at Georgetown University and a Tax Fellow at the Roosevelt Institute. I am honored to testify before this committee as it considers medium- to long-term tax reform for 2025. My testimony will draw from my experiences analyzing and developing policies to reduce extreme economic, racial, and gender inequality in ways that strengthen our nation by advancing fairness and prosperity together. This experience includes policies that have been enacted, such as bipartisan improvements to the Child Tax Credit and Earned Income Tax Credit over the past 15 years, as well as those under consideration now to rebalance the economy to strengthen the working and middle class, such as pricing greenhouse gas emissions, higher corporate taxes, and taxing more economic income. My testimony is intended to provide helpful context and provides ideas for moving forward on a bipartisan basis to ensure that the tax system supports a democracy and an economy that work as well as possible for the American people.

I. Overview

This testimony highlights the need for policymakers to utilize the tax system, including by ensuring that the ultrawealthy pay fair taxes, to reduce economic inequality in ways that can be expected to raise living standards across the board. My read of the growing body of research on economic inequality in our country today—exemplified in part by the enormous and undertaxed wealth of a miniscule fraction of the 337 million people in our country¹—is that economic inequality today is extreme and harms the working and middle class.

II. Economic Inequality Today Is Extreme and Harmful

Though some income and wealth inequality is desirable and inevitable in a liberal democracy, our nation's current levels of economic inequality are extreme and harmful, holding back our nation's productive potential and undermining well-being. This is true for income inequality as well as wealth inequality.

A. Income Inequality Is Extreme and Harmful

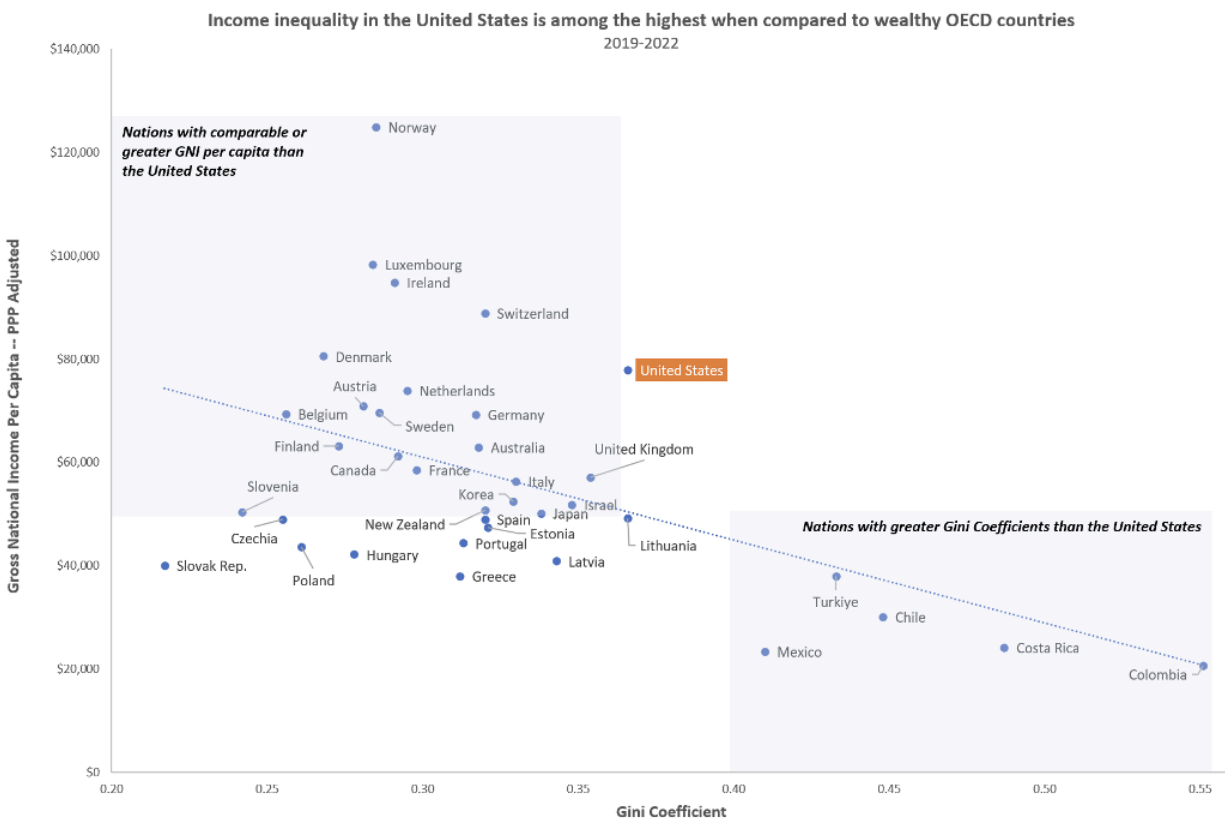
Income inequality is extreme by historical and international standards, and income inequalities are even more pronounced when comparing identifiable groups with each other, including by race, gender, and place (geography). This level of inequality undermines desirable social and economic outcomes.

1. Overall Income Inequality Is Extreme and Harmful

Income inequality in the United States is extreme by nearly any standard. Using data from the Congressional Budget Office, the average *after-tax-and-transfer* income of the highest 1 percent in 2020 was approximately 35 times greater than that of the bottom 20 percent.² Income inequality has grown over the past four decades (1979–2020), with the highest 0.01 percent experiencing *before-tax-and-transfer* income growth (424 percent) that is nearly 10 times faster than that of the bottom 20 percent (45 percent).³ Even the ratio of before-tax cash income at the 95th percentile to the 10th percentile was near all-time highs (since 1967) in 2022 (3.96) and more than 1.5 times higher than the low point in 1968 (2.56) according to Census Bureau data.⁴ While taxes and transfers have helped push back on that growing inequality, *after-tax-and-transfer* inequality remains markedly higher today than in 1979.⁵

Income inequality in the United States is the highest or among the highest when compared to similarly wealthy nations. Using data compiled by the OECD

(Organisation for Economic Co-operation and Development), the United States' Gini coefficient or index, a common measure of income inequality, ranks as among the most unequal countries among those for which after-tax-and-transfer disposable income data are available in 2021.⁶ Only Costa Rica, Chile, Colombia, Mexico, and Turkey—far lower-income countries by any measure—are more unequal.⁷ In contrast, Luxembourg, Norway, and Ireland have higher per capita Gross National Income (GNI)⁸ and substantially lower income inequality than the United States (see chart below).⁹



Source: OCED Data Explorer and World Bank Open Data (Accessed September 10, 2024)

Notes: This chart relies plots two types of data: (i) 2022 Gross National Income per capita adjusted by Purchasing Power Parity (PPP) sourced from the OECD Data Explorer and (ii) 2021 disposable income Gini coefficients data sourced from the OECD Data Explorer with some exceptions due to data availability: Denmark uses 2019 OECD data; Australia, Switzerland, and New Zealand use 2020 OECD data; Mexico and Chile use an average of 2022 and 2020 OECD data; 2021 data points for Turkey and Colombia were sourced from the World Bank; and South Korea is excluded from the chart due to limited recent Gini coefficient data availability.

If we consider that Ireland's tax policies distort their GNI data, the data on median disposable income similarly shows that among the highest-income OECD countries (the top five from lowest to highest medians in 2021 are Canada, Switzerland, Norway, the United States, and Luxembourg), the United States has significantly higher income inequality.¹⁰

The consequences of this growing income divide likely include slower economic growth, reduced economic mobility, and political polarization:

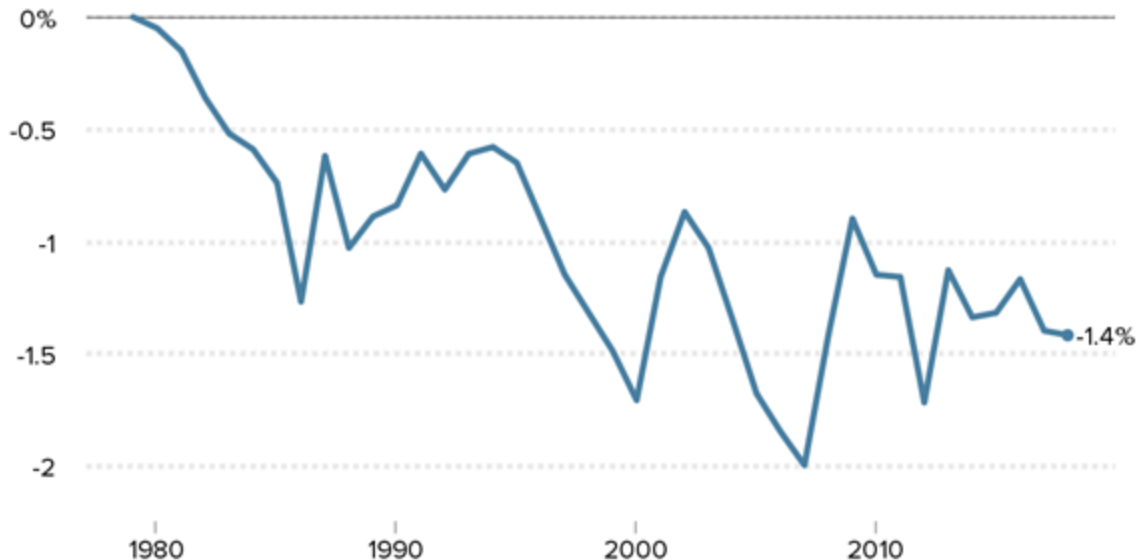
“When income inequality rises, economic growth falls.”

- *The Impact of Income Inequality on Economic Growth*
(OECD)

- *High levels of income inequality can hinder overall economic growth.* Research from the OECD concludes straightforwardly, “When income inequality rises, economic growth falls.”¹¹ This effect results from a reduction in educational investments and attainment among the lowest 40 percent of the income distribution. Notably, the same research finds that a tax and transfer system that reduces inequality can be consistent with higher economic growth.¹² The Economic Policy Institute estimated that since 1979, growing income inequality had reduced aggregate demand in the US economy by up to 2 percentage points annually through 2018 (see chart below).¹³

Income concentration at the top has dragged on household spending since 1979

How much the upward redistribution of income lowered economywide household spending, as a share of GDP



Notes: To estimate the drag on household spending stemming from the upward redistribution of income, we subtract the savings rates by income group (See Figure D for savings rates calculations) from 1, and then multiply this derived propensity to consume out of income by the income shares for each group to estimate household spending for each group. Then, we sum across all groups to get an aggregate household spending estimate. We do this with actual data, and then construct a counterfactual level of spending that holds 1979 income shares constant. The difference between these is the “all else equal” effect of changing income shares on household spending. We express this spending drag as a percent of overall U.S. GDP.

Source: Congressional Budget Office household income data (CBO 2021) for savings rates and income shares and GDP and personal income data from the Bureau of Economic Analysis’s National Income and Product Accounts (BEA 2021a; 2021b).

Economic Policy Institute

- *Higher income inequality in the United States likely contributes to lower income mobility.* Research on high-income countries strongly suggests that high income inequality causes low income mobility with that income inequality shaping access to opportunity, incentives, and more.¹⁴ More recent research suggests that the relationship is compelling for absolute income mobility but may be offset by countervailing forces for relative income mobility.¹⁵

- *Income inequality appears to contribute to our political polarization.* One analysis found that “. . . income inequality has a large, positive and statistically significant effect on political polarization.”¹⁶ Other research finds a similar relationship between income inequality and political polarization.¹⁷

2. Income Inequality by Race and Gender Is Sharp and Harmful

Income and earnings inequality is especially extreme by race. From 1972 to 2022, White (non-Hispanic) Americans have consistently had median household incomes 53 percent to 80 percent higher than Black (non-Hispanic) Americans.¹⁸ⁱ In 2019, just 1 in 20 Black-headed or Hispanic-headed households had incomes of \$200,000 or more, compared to 1 in 10 households overall.¹⁹ Black households comprise approximately 13 percent of US households while making up only about 7 percent of those in the top income quintile.²⁰

Gender earnings inequality is significant. Because a large share of households includes more than one gender, and the vast majority of households have incomes that are comprised overwhelmingly of pay from work among adults in the household, it is useful to focus on wages and salaries to understand gender disparities. Economy-wide, women are paid 84 cents for each dollar paid to a man of the same race.²¹ That ratio falls to 77 cents in management, business, and financial occupations and 72 cents in professional and related occupations.²²

Race and gender together can amplify earnings inequities. For instance, in 2023 Black and Latina women were paid significantly less than their White counterparts, with Black women earning only 69 percent and Latina women just 57 percent of White men's earnings.²³ The Department of Labor's estimates that earnings disparities from job segregation amounted to a loss in wages equal to \$42.7 billion for Black women and \$53.3 billion for Hispanic women in 2023.²⁴

Racial and gender inequality harms not only communities of color and households with women but all households. For example, growing overall inequality and persistent racial and gender inequality have contributed to a growing Social Security funding gap.²⁵ More generally, because a sizeable body of research makes clear that racial and gender earnings and income disparities have nothing to do with any group's innate abilities, these inequities reflect our failure to maximize our nation's economic potential.²⁶ Indeed, research has demonstrated that eliminating racial disparities across the board could dramatically increase economic output in the United States.²⁷ Federal Reserve Bank of San Francisco research suggests closing gender gaps in the labor market could have raised GDP

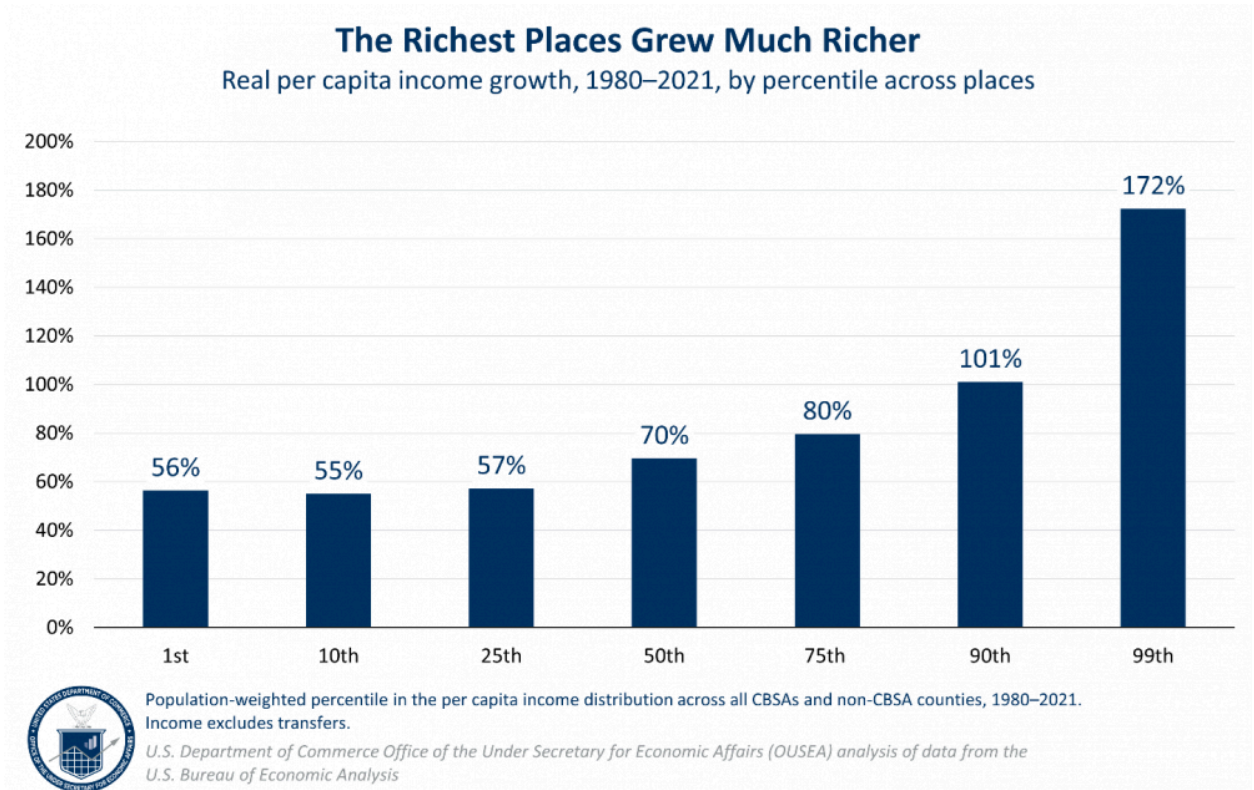
by \$1.67 trillion in 2019.²⁸ And eliminating the gender pay gap would significantly lower our nation's high poverty rates.²⁹ Taking race and gender together, the Federal Reserve Bank of San Francisco research suggests that 2019 economic output was \$2.6 trillion less due to racial and gender labor market gaps.³⁰

3. Income Inequality by Place Is Leaving Communities Behind

Overall, income in the United States is disproportionately concentrated in specific geographic areas, particularly on the East and West Coasts, highlighting the significant regional differences in economic outcomes, with urban and coastal areas hosting large shares of top income households:

- *Metropolitan areas dominate the top 5 percent:* Approximately 72 percent of high-income households (top 5 percent, earning \$191,469 or more) are located in the 50 largest metropolitan areas, predominantly found on the coasts. The greatest concentration of high-income households are the metropolitan areas that include San Francisco and New York City, including Connecticut's Bridgeport, Stamford, and Norwalk, as well as California's San Jose and Santa Clara regions.³¹
- *Five states dominate the top 1 percent:* The highest 1 percent of households by income are heavily concentrated in California, New York, Texas, Florida, and Illinois—states which together account for about 40 percent of all US income and half of top 1 percent income.³²
- *Two regions dominate top incomes:* The Northeast and West have a disproportionate share of income among the top earners (53.5 percent of top 1 percent income versus 45.7 percent of total income) compared to the Midwest and South.³³


Growing income inequality has meant that as the economy has grown, the gains have gone disproportionately to a small share of communities in the country. Commerce Department analysis shows that indeed the highest-income places in the United States have seen per capita income rise by two or three times as much as lower-income communities (see chart).³⁴



B. Wealth Inequality Is Extreme and Harmful

Wealth inequality, including by race and gender, is high and holds back our nation's economic potential. The top 0.1 percent's share of total net worth in the United States is near a 35-year high and 60 percent greater than in 1989.³⁵ Wealth disparities by race and gender are sharp. Research suggests that reducing wealth inequality overall and closing racial inequities would boost our nation's economy.

Wealth inequality in the United States is even more extreme than income inequality. In the third and fourth quarters of 2021, the top 1 percent of households held 30.9 percent of total net worth,³⁶ while 2021 tax data indicate that the top 1 percent of households by income received 26.3 percent of all AGI (Adjusted Gross Income).³⁷



“Wealth inequality is high and
has risen substantially over
recent decades.”

- Matthew Smith, Owen Zidar, and Eric Zwick (*The Quarterly Journal of Economics*)


A substantial portion of wealth in the US is held by a small fraction of households. Even as the top 1 percent of households held 30.4 percent of net worth in the first quarter of 2024, the top 0.1 percent held a disproportionate share of overall net worth—13.6 percent.³⁸ Recent research documenting top wealth shares and growth even within the top 0.1 percent has found that even the top 0.01 percent grew its share of total wealth from 1989 to 2016.³⁹ As the authors of that 2022 study find, “. . . wealth inequality is high and has risen substantially over recent decades.”⁴⁰

Wealth is heavily concentrated in specific parts of the United States. Specifically, over one-fourth of the nation's wealth is owned by households with net worth exceeding \$30 million, with New York alone accounting for more than 20 percent of this extreme wealth.⁴¹ The Northeast region, particularly New York, Connecticut, and Massachusetts, has the highest concentration of extreme wealth, driven largely by the financial sector and other high-income industries.⁴²

Racial and gender wealth disparities are sharp. In 2022, median Black and Hispanic households own only about 16 and 21 percent, respectively, of the wealth held by White households, a gap that has been relatively persistent over recent decades.⁴³ The largest gender wealth gap appears when comparing men and women who have never been married, with the women having just 34 cents for every dollar of men's wealth; controlling for a range of factors still leaves a large gender wage gap (\$0.71 for each \$1 of men's wealth).⁴⁴

Wealth disparities hold back our economy. One multi-country study that included the United States found that when billionaires acquire wealth through political connections, it can hold back economic growth.⁴⁵ Researchers at McKinsey Global Institute estimate that closing Black-White wealth gaps could raise US GDP by 4 to 6 percent in 2028, by increasing consumption and investment.⁴⁶ White households face similar wealth inequality as Black households,⁴⁷ suggesting that reducing overall wealth inequality could also allow more White households to prosper in our economy.

III. Our Tax System Contributes to Extreme Inequality



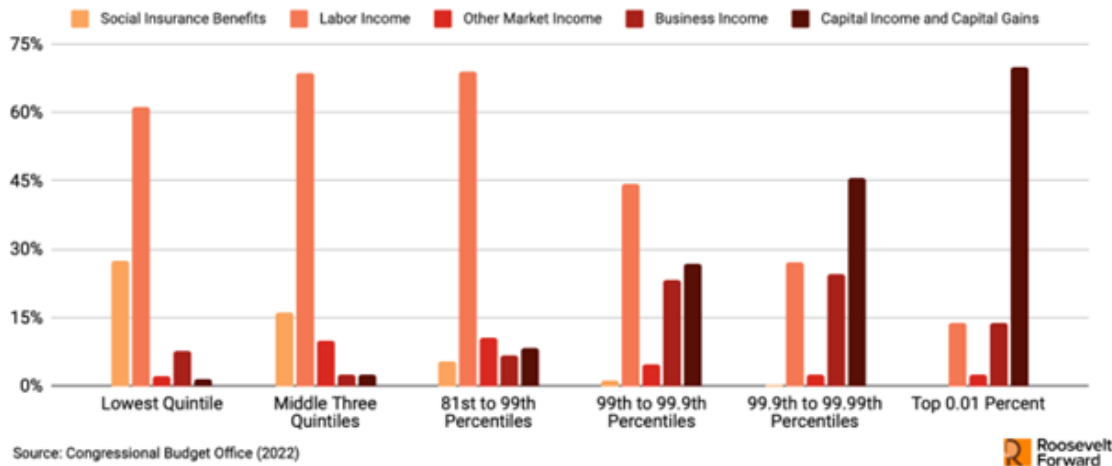
Our tax system privileges
income from wealth over
income from work.

Our tax system privileges income from wealth over income from work. When considering income (excluding unrealized capital gains), our tax system overall (federal, state, and local) is progressive, thanks largely to the federal income tax system. However, when considering wealth, the progressivity of our tax system is less clear. Much of the returns to wealth, even relatively liquid wealth and wealth that is converted into spending, goes untaxed for the wealthiest, even as state and local property taxes (a form of wealth tax) are regressive on balance and are paid regardless of an exchange or sale. Here, this testimony illustrates how features of our federal tax system encourage the ultrawealthy to accumulate wealth in ways that avoid taxation.

A. The Ultrawealthy Face a Different Tax System than the Rest of Us and Have Taken Advantage of That System

While 99 percent of American households receive a supermajority of their incomes (before transfers, excluding social insurance benefits) from work, the top 1 percent earn a majority of their income from nonlabor income sources, including especially income and gains from capital, according to 2019 Congressional Budget Office data.⁴⁸

Composition of Income before Transfers and Taxes



While labor income is generally taxed at the highest rates, capital income in particular is generally taxed at lower rates. And gains from capital are generally only taxed upon a sale or exchange, even if the asset is easily valued. The gains are permanently exempt from the income tax when transferred upon death due to a “stepped-up basis” through which the capital gain—the typical gap between the capital’s current higher value and its original value at purchase—is simply ignored.^a These features of the federal income tax system mean that, when counting income from unsold stock, the wealthiest 400 families paid federal income tax rates of 6–12 percent from 2010 through 2018.⁴⁹

1. The Ultrawealthy Have Tax-Free or Nearly Tax-Free Income/ Have a Free Lunch

Unsurprisingly, these realities of the federal tax system create incentives for keeping wealth as capital and passing that capital upon death to heirs. But even billionaires want cash flow, albeit for purchasing yachts and islands rather than food and clothing. The ultrawealthy pledge stock or other assets in exchange for personal loans, effectively converting their capital into cash without paying any tax on gains in that income. Then, their spouses and children can inherit the asset and sell it without a single dollar in income tax ever being paid. Professor Ed McCaffery concisely described this scheme as “buy, borrow, die.”⁵⁰ This set of maneuvers creates meaningful cash flow for the wealthiest to consume while evading taxes altogether.

^a To be sure, some gains may be subject to the estate tax, but that is easily and frequently avoided.

2. Capital Gains and Dividend Taxes Are Suboptimal and Low by Historic Standards

One prominent study suggests that the revenue-maximizing capital gains tax rate is 38 to 47 percent.⁵¹ Yet, the individual capital gains tax rate, which the wealthy generally pay at a time of their choosing, is typically 20 percent^b—even for the wealthiest among us.⁵² In general, capital gains tax rates are at post-WWII (80-year) lows.⁵³ As shown earlier, capital gains disproportionately comprise the incomes of the wealthy and ultrawealthy, ensuring that low capital gains tax rates disproportionately enrich the richest Americans.

Until 2003, dividends were taxed similarly to earnings from work. After one temporary tax cut to dividends enacted that year, dividend tax rates were permanently cut to 20 percent, though both dividends and capital gains are subject to the Affordable Care Act's 3.8 percent Net Investment Income Tax.⁵⁴ Research shows no increase in employee compensation or corporate investment from that large 2003 cut,⁵⁵ but it does confirm that dividend income is heavily concentrated among the highest-income households. Nearly half (46 percent) of dividend income goes to the highest 1 percent of households.⁵⁶

3. Top Marginal Tax Rates Are Low by Historic and Revenue-Maximizing Standards

Even if income from wealth were taxed more comparably to labor income, top marginal income tax rates are notably far below revenue-optimizing or historic standards. Top federal marginal rates were between 94 percent (1944 and 1945) and 50 percent from the 1932–1986 55-year period; they currently stand at just 37 percent,⁵⁷ while the overall (federal, state, and local) top rate was just 43.7 percent in 2022.⁵⁸ Yet, research considering the combination of a reduction in labor supply, increased tax avoidance, and bargaining over composition of compensation suggests an optimal top rate as high as 83 percent.⁵⁹

^b The rate can be as high as 28 percent essentially only for collectibles.

B. Policymakers Have Many Worthwhile Proposals to Consider to Efficiently Raise Revenues from the Ultrawealthy

A more efficient and equitable tax system would include higher revenues from the ultrawealthy. In addition to raising corporate and other individual taxes, policymakers have many well-designed proposals to advance that goal:

- *IRS enforcement funding*: Funding sufficient capacity at the IRS to collect owed revenues from the wealthiest taxpayers has been demonstrated to raise substantial revenues at little cost. Before recent investments in IRS capacity, audit rates for high-income households plummeted, while the working and middle class faced a growing share of audits—even as the highest-income Americans owed a wildly disproportionate share of taxes owed.⁶⁰ A 2024 Treasury analysis finds that sustaining IRA investments “would yield \$390 billion in revenue during the period FY 2024–FY 2034”.⁶¹ Independent estimates of the return on investment for audits of the highest-income households suggests that each dollar spent on these audits yields more than \$12 in taxes.⁶²
- *Taxing income from unrealized gains*: There are several reasons to tax income as in the year it is made—and not solely at a point of sale or exchange. As noted earlier, we tax the value of property (real property) including increases in the value at the state and local level on an ongoing basis—not solely at the point of a sale or exchange. We also already tax unrealized gains in other instances.⁶³ As the Joint Committee on Taxation explains, income from unrealized capital gains is textbook income: included in what economists call a “Haig-Simons” income measure, which counts unrealized gains as a form of income that can be used to consume or invest, and so provides a proxy for well-being.⁶⁴ Indeed, the underlying assets—frequently publicly-traded equities—are nearly as liquid as cash. Billionaires demonstrate this feature of their wealth routinely, in part by borrowing against their accumulated wealth to convert capital gains into cash to avoid paying taxes.⁶⁵

There are various ways to ensure that this income does not escape tax for years, decades, or forever. For instance, it can be taxed immediately in a “mark-to-market” system, such as the Chairman’s Billionaire Income Tax proposal. Or, a system that achieves something similar to a mark-to-market

tax can be achieved by triggering the final tax liability at some event (such as when the income is such as when it is passed to heirs or before), coupling that with a withholding system that ensures that tax is paid on incomes including unrealized gains annually.

An example of the latter approach is the Billionaire Minimum Income Tax, which is designed to handle losses and gain and is readily payable by the affected ultrawealthy through the sale of tradeable stocks.⁶⁶ Such a tax would ensure that just as the vast majority of workers must pay taxes on their wage incomes, the billionaire buying an asset for \$1 billion that grows to \$10 billion, providing \$9 billion in gains that can provide billions in cash flow while avoiding taxation would pay taxes on those gains. In a time of extraordinary economic inequality, heightened along racial and gender lines, reforms like a well-designed mark-to-market tax applying to the ultrawealthy, accrual accounting, or anti-deferral system can help ensure that the wealthy pay their fair share, raise much-needed revenue, make the tax code more efficient, and further prosperity.

- *Inheritance and gift taxes:* Well-designed inheritance and gift taxes, including ending stepped-up basis, can reduce dynastic wealth creation and encourage more productive uses of wealth. Prior estate and gift tax law was more progressive and raised more revenue than current law. Though the wealth and gift taxes partly serve as a backstop to untaxed wealth, establishing new inheritance and gift taxes could generate significant revenue from the wealthiest Americans. Lily Batchelder has developed a proposal generating substantial revenues from the largest inheritances, arguing that, “Expanding and reforming the taxation of inheritances would improve the fairness and efficiency of the fiscal system, spur growth, and reduce tax complexity and associated tax planning.”⁶⁷

This list is illustrative of the possibilities for efficiently raising sizable revenues from the wealthiest among us. Policymakers should consider including a wider range of policies in any 2025 tax reform, including increasing penalties for tax evasion, and raising revenues from corporations on other high-income households.

IV. Conclusion: Well-Designed Proposals Can Generate Useful Revenues and Help Rebalance the Economy

Income and especially wealth are heavily concentrated within a small share of households, and these extreme inequalities are economically and socially harmful. Some features of the tax code have contributed to the situation by favoring income from wealth over income from work. This situation can be addressed in ways that rebalance our economy—not solely for the purposes of addressing shortcomings from our economy but for shaping the economy in the first place.^c Research suggests that people with the highest incomes and greatest wealth respond strongly to the tax system, including in bargaining for compensation and in holding untaxed wealth that may be more economically productive if sold or exchanged.

At the same time, the United States faces national needs best addressed through public investment^d—investments that often provide unbeatable returns to our society. As a result, policies that generate additional revenues from the wealthy and ultrawealthy can provide additional social benefits, beyond reducing harmful inequality. For example, these revenues can help fund a basic foundation for all, fair access to opportunity, and desirable scientific and technological advancement:

^c To be sure, more equal and similarly (or even more) prosperous countries in Europe have generally ensured that labor unions and other labor market institutions ensure that people are fairly compensated rather than building tax-and-transfer systems that are markedly more redistributive than ours, but that is not the focus of this testimony.

^d Securing these revenues should be a top priority for those who are concerned about federal budget deficits and debt as well.

- *Ensure a basic foundation for all:* Research increasingly makes clear that we all need a basic foundation in our lives to be able to access and take advantage of opportunity. That foundation includes income, care, housing, and health. Leading Child Tax Credit researchers estimate that societal benefits from a Child Tax Credit that does not discriminate against children in the lowest-income households “would outweigh costs nearly 10 to 1, with most benefits due to the tax credit’s [reach to the lowest income children].”⁶⁸ The Earned Income Tax Credit too has been highly effective at boosting employment and incomes but does far too little for those not raising children at home. The United States also faces substantial unmet caregiving needs—needs best addressed through public investments in paid family and medical leave, childcare, and home- and community-based supports for long-term care. Similarly, our nation’s need for millions of additional affordable housing units and assistance for those who are rent-burdened requires public policies that include spending to boost housing supply and reduce costs faced by renters. Essentially alone among wealthy nations, the United States lacks a universal health coverage system, allowing millions of people who are uninsured or underinsured to go without needed care or experience financial distress due to health needs. Subsidies for private coverage and expanded public coverage together could finally establish universal or near-universal health coverage in the United States. And research focused on narrowing and eliminating health disparities could help the United States achieve health outcomes that match our nation’s wealth.
- *Provide fair access to opportunity:* Education and workforce development investments are essential to weakening the counterproductively strong link between childhood financial circumstances and adult outcomes, as well as ensuring that living standards improve through innovation. Ensuring fair access to opportunity to develop one’s abilities to the fullest requires large public investments into an equitable education system through postsecondary education and an integrated workforce development system that meets the needs of workers and businesses alike. In addition, investments to promote equitable labor market and economic outcomes for people with disabilities would advance fairness and boost our economy. Comprehensive supports that ensure the nurturing of talent from and attainment of valuable credentials for people of all backgrounds would benefit all of society.

- *Address climate and environmental needs:* The nation faces a clear set of climate and environmental challenges that the private sector alone cannot solve. Public spending on climate adaptation and mitigation is essential in the face of increasing extreme weather, inadequate physical infrastructure, and insufficient private investment in research and technology needed to stabilize our planet and ensure a healthy environment for generations to come.

As James Madison wrote in the Federalist Papers, “the most common and durable source of factions has been the various and unequal distribution of property.”⁶⁹ Fundamentally, higher taxes on the wealthy and ultrawealthy can be fair and efficient, creating equitable economic growth that raises living standards for all Americans—and strengthening our democracy as well.

Endnotes

- [1] Population Clock, United States Census Bureau, <https://www.census.gov/popclock/>, accessed 7 September 2024.
- [2] Author's calculations using Table C-1 in [The Distribution of Household Income in 2020](#), Congressional Budget Office, https://www.cbo.gov/publication/59757#_idTextAnchor035, Accessed 7 September 2024.
- [3] Author's calculations using Notes from Exhibit 3 and Exhibit in [The Distribution of Household Income in 2020](#), Congressional Budget Office, https://www.cbo.gov/publication/58781#_idTextAnchor017, Accessed 7 September 2024. Historical data allow for comparisons only in before-tax-and-transfer incomes for the highest 0.01 percent.
- [4] Author's calculations using Table A-4a at "[Historical Income Tables: Income Inequality](#)", United States Census Bureau, <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-inequality.html>, Accessed 7 September 2024.
- [5] [The Distribution of Household Income in 2020](#), Congressional Budget Office, https://www.cbo.gov/publication/59757#_idTextAnchor023, Accessed 7 September 2024.
- [6] Income inequality, OECD, <https://www.oecd.org/en/data/indicators/income-inequality.html>, Accessed 7 September 2024.
- [7] [Income inequality](#), OECD, <https://www.oecd.org/en/data/indicators/income-inequality.html>, Accessed 7 September 2024. GNI per capita income were missing for Turkiye and come instead from the World Bank, GNI per capita PPP, <https://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?>, Accessed 9 September 2024.
- [8] This basic claim is generally robust to reasonable alternative analytical decisions but relies on data using constant 2022 dollars adjusted across nations for purchasing power parities. [Gross national income](#), World Bank, <https://www.oecd.org/en/data/indicators/gross-national-income.html>, Accessed 9 September 2024.
- [9] [Income inequality](#), OECD, <https://www.oecd.org/en/data/indicators/income-inequality.html>, Accessed 7 September 2024.
- [10] Author's calculations using [Poverty and Inequality Platform \(version 2017 PPPs: 20240326_2017\)](#) [Data set]. World Bank Group, 2024, <http://www.pip.worldbank.org>, Accessed 10 September 2024 and [Society at a Glance 2024: Household Income](#), OECD, 2024, <https://www.oecd-ilibrary.org/docserver/c8568e7f-en.pdf>, Accessed 10 September 2024.
- [11] [The impact of income inequality on economic growth | In It Together: Why Less Inequality Benefits All](#), OECD, https://www.oecd-ilibrary.org/employment/in-it-together-why-less-inequality-benefits-all/the-impact-of-income-inequality-on-economic-growth_9789264235120-5-en, Accessed 7 September 2024.
- [12] [The impact of income inequality on economic growth | In It Together: Why Less Inequality Benefits All](#), OECD, https://www.oecd-ilibrary.org/employment/in-it-together-why-less-inequality-benefits-all/the-impact-of-income-inequality-on-economic-growth_9789264235120-5-en, Accessed 7 September 2024.
- [13] Josh Bivens, [Inequality's drag on aggregate demand](#), Economic Policy Institute, 24 May 2022, <https://www.epi.org/publication/inequalitys-drag-on-aggregate-demand/>, Accessed 9 September 2024.
- [14] Miles Corak, [Income Inequality, Equality of Opportunity, and Intergenerational Mobility](#), American Economic Association, <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.27.3.79>, Accessed 7 September 2024.

2024.

[15] Thomas A. DiPrete, [The Impact of Inequality on Intergenerational Mobility](https://www.annualreviews.org/content/journals/10.1146/annurev-soc-121919-054814#_i3), *Annual Review of Sociology*, 5 May 2020, https://www.annualreviews.org/content/journals/10.1146/annurev-soc-121919-054814#_i3, Accessed 8 September 2024.

[16] John Voorheis et al., [Unequal Incomes, Ideology and Gridlock: How Rising Inequality Increases Political Polarization](https://www.law.nyu.edu/sites/default/files/upload_documents/Nolan%20McCarty%20Paper%20Polarization_draft_shared%20031616.pdf), 16 March 2016, https://www.law.nyu.edu/sites/default/files/upload_documents/Nolan%20McCarty%20Paper%20Polarization_draft_shared%20031616.pdf, Accessed 8 September 2024.

[17] Some research finds that the causal relationship between political polarization and income inequality runs in both directions. See for example, [Income Inequality and Political Polarization: Time Series Evidence Over Nine Decades](https://www.dallasfed.org/-/media/documents/research/papers/2014/wp1408.pdf), Federal Reserve Bank of Dallas, January 2014, <https://www.dallasfed.org/-/media/documents/research/papers/2014/wp1408.pdf>, Accessed 8 September 2024.

[18] Author's calculations using [Table H-5. Race and Hispanic Origin of Householder – Households by Median and Mean Income](https://www2.census.gov/programs-surveys/cps/tables/time-series/historical-income-households/h05.xlsx), United States Census Bureau, 12 September 2023, <https://www2.census.gov/programs-surveys/cps/tables/time-series/historical-income-households/h05.xlsx>, Accessed 8 September 2024.

[19] Sarah A. Donovan et al., [The U.S. Income Distribution: Trends and Issues](https://crsreports.congress.gov/product/pdf/R/R44705), Congressional Research Service, 13 January 2021, <https://crsreports.congress.gov/product/pdf/R/R44705>, Accessed 8 September 2024.

[20] Author's calculations using [HINC-05. Percent Distribution of Households by Selected Characteristics Within Income Quintile and Top 5 Percent](https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hinc/hinc-05.html), U.S. Census Bureau, 9 August 2023, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hinc/hinc-05.html>, Accessed 9 September 2024.

[21] [Earnings and earnings ratios by sex, race, and occupation group](https://www.dol.gov/agencies/wb/data/earnings/wage-gap-race-occupation), U.S. Department of Labor, <https://www.dol.gov/agencies/wb/data/earnings/wage-gap-race-occupation>, Accessed 8 September 2024.

[22] [Earnings and earnings ratios by sex, race, and occupation group](https://www.dol.gov/agencies/wb/data/earnings/wage-gap-race-occupation), U.S. Department of Labor, <https://www.dol.gov/agencies/wb/data/earnings/wage-gap-race-occupation>, Accessed 8 September 2024.

[23] [Still Bearing The Cost: Black and Hispanic Women Lose Billions Due to Job Segregation](https://www.dol.gov/sites/dolgov/files/WB/media/BearingTheCostReport2024.pdf), U.S. Department of Labor, March 2024, <https://www.dol.gov/sites/dolgov/files/WB/media/BearingTheCostReport2024.pdf>, Accessed 9 September 2024.

[24] [Still Bearing The Cost: Black and Hispanic Women Lose Billions Due to Job Segregation](https://www.dol.gov/sites/dolgov/files/WB/media/BearingTheCostReport2024.pdf), U.S. Department of Labor, March 2024, <https://www.dol.gov/sites/dolgov/files/WB/media/BearingTheCostReport2024.pdf>, Accessed 9 September 2024.

[25] Robert Lynch, [The economic benefits of equal opportunity in the United States by ending racial, ethnic, and gender disparities](https://equitablegrowth.org/the-economic-benefits-of-equal-opportunity-in-the-united-states-by-ending-racial-ethnic-and-gender-disparities/), Washington Center for Equitable Growth, 29 June 2021, <https://equitablegrowth.org/the-economic-benefits-of-equal-opportunity-in-the-united-states-by-ending-racial-ethnic-and-gender-disparities/>, Accessed 8 September 2024.

[26] Robert Lynch, [The economic benefits of equal opportunity in the United States by ending racial, ethnic, and gender disparities](https://equitablegrowth.org/the-economic-benefits-of-equal-opportunity-in-the-united-states-by-ending-racial-ethnic-and-gender-disparities/), Washington Center for Equitable Growth, 29 June 2021, <https://equitablegrowth.org/the-economic-benefits-of-equal-opportunity-in-the-united-states-by-ending-racial-ethnic-and-gender-disparities/>, Accessed 8 September 2024.

- [27] Ani Turner, [The Business Case For Racial Equity: A Strategy For Growth](https://altarum.org/sites/default/files/WKKellogg_Business-Case-Racial-Equity_National-Report_2018.pdf), W.K. Kellogg Foundation and Altarum, 24 April 2018, https://altarum.org/sites/default/files/WKKellogg_Business-Case-Racial-Equity_National-Report_2018.pdf, Accessed 8 September 2024.
- [28] Shelby R. Buckman et al., [The Economic Gains from Equity](https://www.frbsf.org/wp-content/uploads/wp2021-11.pdf), Federal Reserve Bank of San Francisco, April 2021, <https://www.frbsf.org/wp-content/uploads/wp2021-11.pdf>, Accessed 8 September 2024.
- [29] Elyse Shaw and Halie Mariano, [Narrow the Gender Pay Gap. Reduce Poverty for Families: The Economic Impact of Equal Pay by State](https://iwpr.org/wp-content/uploads/2021/05/Economic-Impact-of-Equal-Pay-by-State_FINAL.pdf), Institute for Women's Policy Research, May 2021, https://iwpr.org/wp-content/uploads/2021/05/Economic-Impact-of-Equal-Pay-by-State_FINAL.pdf, Accessed 8 September 2024.
- [30] Shelby R. Buckman et al., [The Economic Gains from Equity](https://www.frbsf.org/wp-content/uploads/wp2021-11.pdf), Federal Reserve Bank of San Francisco, April 2021, <https://www.frbsf.org/wp-content/uploads/wp2021-11.pdf>, Accessed 8 September 2024.
- [31] <https://www.census.gov/newsroom/archives/2013-pr/cb13-27.html>
- [32] Estelle Sommeiller and Mark Price, [The new gilded age: Income inequality in the U.S. by state, metropolitan area, and county](https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/) | Economic Policy Institute, Economic Policy Institute, 19 July 2018, <https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/>, Accessed 9 September 2024.
- [33] Author's calculations using Estelle Sommeiller and Mark Price, [The new gilded age: Income inequality in the U.S. by state, metropolitan area, and county](https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/) | Economic Policy Institute, Economic Policy Institute, 19 July 2018, <https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/>, Accessed 9 September 2024.
- [34] [Geographic Inequality on the Rise in the U.S.](https://www.commerce.gov/news/blog/2023/06/geographic-inequality-rise-us), U.S. Department of Commerce, 15 June 2023, <https://www.commerce.gov/news/blog/2023/06/geographic-inequality-rise-us>, Accessed 9 September 2024.
- [35] Author's calculations using [Share of Net Worth Held by the Top 0.1% \(99.9th to 100th Wealth Percentiles\) \(WFRBSTP1300\)](https://fred.stlouisfed.org/series/WFRBSTP1300), St. Louis Federal Reserve Bank, <https://fred.stlouisfed.org/series/WFRBSTP1300>, Accessed 8 September 2024.
- [36] [Share of Total Net Worth Held by the Top 1% \(99th to 100th Wealth Percentiles\) \(WFRBST01134\)](https://fred.stlouisfed.org/series/WFRBST01134), St. Louis Federal Reserve Bank, <https://fred.stlouisfed.org/series/WFRBST01134>, Accessed 8 September 2024.
- [37] Table 4.1, [SOI Tax Stats - Individual statistical tables by tax rate and income percentile](#), Internal Revenue Service, Accessed 8 September 2024.
- [38] [Share of Net Worth Held by the Top 0.1% \(99.9th to 100th Wealth Percentiles\) \(WFRBSTP1300\)](https://fred.stlouisfed.org/series/WFRBSTP1300), St. Louis Federal Reserve Bank, <https://fred.stlouisfed.org/series/WFRBSTP1300>, Accessed 8 September 2024.
- [39] Matthew Smith et al., [Top Wealth In America: New Estimates Under Heterogeneous Returns](http://www.ericzwick.com/wealth/wealth.pdf), The Quarterly Journal of Economics, 29 August 2022, <http://www.ericzwick.com/wealth/wealth.pdf>, Accessed 8 September 2024.
- [40] Matthew Smith et al., [Top Wealth In America: New Estimates Under Heterogeneous Returns](http://www.ericzwick.com/wealth/wealth.pdf), The Quarterly Journal of Economics, 29 August 2022, <http://www.ericzwick.com/wealth/wealth.pdf>, Accessed 8 September 2024.

- [41] Carl Davis, Emma Sifre, and Spandan Marasini, "The Geographic Distribution of Extreme Wealth in the U.S." Institute for Taxation and Economic Policy, 2022, <https://itep.org/the-geographic-distribution-of-extreme-wealth-in-the-u-s/>. Accessed 9 September 2024.
- [42] Carl Davis, Emma Sifre, and Spandan Marasini, "The Geographic Distribution of Extreme Wealth in the U.S." Institute for Taxation and Economic Policy, 2022, <https://itep.org/the-geographic-distribution-of-extreme-wealth-in-the-u-s/>. Accessed 9 September 2024.
- [43] U.S. Wealth Gaps Remain Despite Widespread Gains, St. Louis Federal Reserve Bank, 7 February 2024, <https://www.stlouisfed.org/open-vault/2024/feb/us-wealth-inequality-widespread-gains-gaps-remain>, Accessed 8 September 2024.
- [44] Ana Hernández Kent & Lowell R. Ricketts, Gender Wealth Gap: Families Headed by Women Have Lower Wealth, St. Louis Federal Reserve Bank, 12 January 2021, <https://www.stlouisfed.org/publications/in-the-balance/2021/gender-wealth-gap-families-women-lower-wealth>, Accessed 8 September 2024.
- [45] Sutirtha Bagchi and Jan Svenjar, Does Wealth Inequality Matter for Growth? The Effect of Billionaire Wealth, Income Distribution, and Poverty, Institute for the Study of Labor, November 2013, <https://docs.iza.org/dp7733.pdf>, Accessed 8 September 2024.
- [46] Nick Noel et al. The economic impact of closing the racial wealth gap, McKinsey Institute for Black Economic Mobility, 13 August 2019, <https://www.mckinsey.com/industries/public-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap>, Accessed 8 September 2024.
- [47] William Elliott et al., White Americans Have a Reason to Be Mad about Wealth Inequality | Center on Assets, Education, and Inclusion (umich.edu), Center on Assets, Education, & Inclusion at the University of Michigan School of Social Work, 2019, <https://aedi.ssw.umich.edu/publications/1903-white-americans-have-a-reason-to-be-mad-about-wealth-inequality>, Accessed 9 September 2024.
- [48] "Additional Data for Researchers" from The Distribution of Household Income, Congressional Budget Office, 14 November 2023, <https://www.cbo.gov/publication/59509>, Accessed 8 September 2024.
- [49] Greg Leiserson and Danny Yagan, What Is the Average Federal Individual Income Tax Rate on the Wealthiest Americans? | CEA | The White House, White House, 23 September 2021, <https://www.whitehouse.gov/cea/written-materials/2021/09/23/what-is-the-average-federal-individual-income-tax-rate-on-the-wealthiest-americans/>, Accessed 8 September 2024.
- [50] Edward J. McCaffery, Fair Not Flat: How to Make the Tax System Better and Simpler, Oxford University Press, 1 April 2022, <https://academic.oup.com/chicago-scholarship-online/book/19742>, Accessed 8 September 2024.
- [51] Ole Agersnap and Owen Zidar, The Tax Elasticity of Capital Gains and Revenue-Maximizing Rates, American Economic Review, December 2021, <https://pubs.aeaweb.org/doi/pdfplus/10.1257/aeri.20200535>, Accessed 9 September 2024.
- [52] Topic no. 409, Capital gains and losses, Internal Revenue Service, 30 January 2024, <https://www.irs.gov/taxtopics/tc409>, Accessed 9 September 2025.
- [53] Mark Luscombe, Historical Capital Gains Rates, Wolters Kluwer, 4 January 2023, <https://www.wolterskluwer.com/en/expert-insights/whole-ball-of-tax-historical-capital-gains-rates>, Accessed 9 September 2024.
- [54] Chuck Marr et al, Asking Wealthiest Households to Pay Fairer Amount in Tax Would Help Fund a More Equitable Recovery, Center on Budget and Policy Priorities, 22 April 2021,

<https://www.cbpp.org/research/federal-tax/asking-wealthiest-households-to-pay-fairer-amount-in-tax-would-help-fund-a>, Accessed 10 September 2024.

[55] Danny Yagan, [Capital Tax Reform and the Real Economy: The Effects of the 2003 Dividend Tax Cut](https://eml.berkeley.edu/~yagan/DividendTax.pdf),” *American Economic Review*, December 2015, <https://eml.berkeley.edu/~yagan/DividendTax.pdf>, Accessed 10 September 2024.

[56] [T18-0231 - Distribution of Long-Term Capital Gains and Qualified Dividends by Expanded Cash Income Percentile, 2018 | Tax Policy Center](#), Tax Policy Center, 16 November 2018, Accessed 10 September 2024.

[57] [Historical Highest Marginal Income Tax Rates](#), Tax Policy Center, 11 May 2023, <https://www.taxpolicycenter.org/statistics/historical-highest-marginal-income-tax-rates>, Accessed 9 September 2024.

[58] [OECD Historical Top Marginal Personal Income Tax Rates | Tax Policy Center](#), Tax Policy Center, 4 January 2024, <https://www.taxpolicycenter.org/statistics/oecd-historical-top-marginal-personal-income-tax-rates>, Accessed 9 September 2024.

[59] Thomas Piketty et al., [Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities](#), *American Economic Journal: Economic Policy*, February 2014, <https://www.aeaweb.org/articles?id=10.1257/pol.6.1.230>, Accessed 9 September 2024.

[60] [Empowering the IRS: Understanding the Full Potential of the Inflation Reduction Act’s Historic Investment in the Internal Revenue Service](#), The White House, 8 February 2024, <https://www.whitehouse.gov/cea/written-materials/2024/02/08/empowering-the-irs-understanding-the-full-potential-of-the-inflation-reduction-acts-historic-investment-in-the-internal-revenue-service/>, Accessed 9 September 2024.

[61] [Return on Investment: Re-Examining Revenue Estimates for IRS Funding](#), Internal Revenue Service, February 2024, <https://www.irs.gov/pub/irs-pdf/p5901.pdf>, Accessed 9 September 2024.

[62] William C. Boning et al., [A Welfare Analysis of Tax Audits Across the Income Distribution](#), June 2023, https://scholar.harvard.edu/sites/scholar.harvard.edu/files/hendren/files/welfare_audits.pdf, Accessed 9 September 2024.

[63] Eric Toder, [The Potential Economic Consequences of Disallowing the Taxation of Unrealized Income](#), Tax Policy Center, 10 October 2023 at 7-8, <https://www.taxpolicycenter.org/publications/potential-economic-consequences-disallowing-taxation-unrealized-income/full>, Accessed 10 September 2024.

[64] See discussion in [Overview Of The Definition Of Income Used By The Staff Of The Joint Committee On Taxation In Distributional Analyses](#)

[65] Edward G. Fox and Zachary D. Liscow, “No More Tax-Free Lunch for Billionaires: Closing the Borrowing Loophole.” *Tax Notes*, 2024, (<https://www.taxnotes.com/lr/resolve/special-reports/no-more-tax-free-lunch-for-billionaires-closing-the-borrowing-loophole/7j3bg>).

[66] Elizabeth Pancotti and Michael Linden, [Withholding for Billionaires: The Case for a Billionaire Minimum Tax - Roosevelt Forward](#), Roosevelt Institute, 5 September 2024, <https://rooseveltforward.org/2024/09/05/withholding-for-billionaires-the-case-for-a-billionaire-minimum-tax/>, Accessed 9 September 2024.

[67] Lily L. Batchelder, [Leveling the playing field through an inheritance tax](#), The Hamilton Project, 28 January 2020, <https://www.hamiltonproject.org/publication/policy-proposal/leveling-the-playing-field-between-inherited-in>

[come-and-income-from-work-through-an-inheritance-tax/](#), Accessed 9 September 2024.

[68] Elizabeth Ananat and Irwin Garfinkel, [The Potential Long-Run Impact of a Permanently Expanded Child Tax Credit](#), *The ANNALS of the American Academy of Political and Social Science*, 1 November 2023, <https://journals.sagepub.com/doi/epub/10.1177/00027162241272309>, Accessed 9 September 2024.

[69] James Madison, [The Federalist Number 10](#), [22 November] 1787, National Archives, 22 November 1787, <https://founders.archives.gov/documents/Madison/01-10-02-0178>, Accessed 9 September 2024.