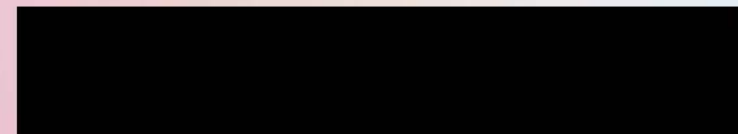


# Should the Wealthy Be Taxed at a Higher Rate in the U.S.?





The problem with the current tax system is that it allows the wealthy to manipulate the system to their advantage, leaving lower and middle class citizens to pay more in taxes proportionally.

*The wealthy people of America should pay more in taxes to lessen the country's debt, improve the economy, and improve society in America.*



# Effects on the Middle & Lower Classes

## THE UNFAIR TAX SYSTEM

- The middle and lower classes pay more in taxes proportionally than the nation's wealthiest people.
- The wealthy are able to use financial strategies and loopholes to avoid paying everything they owe in taxes.

## RELIANCE ON THE POOR

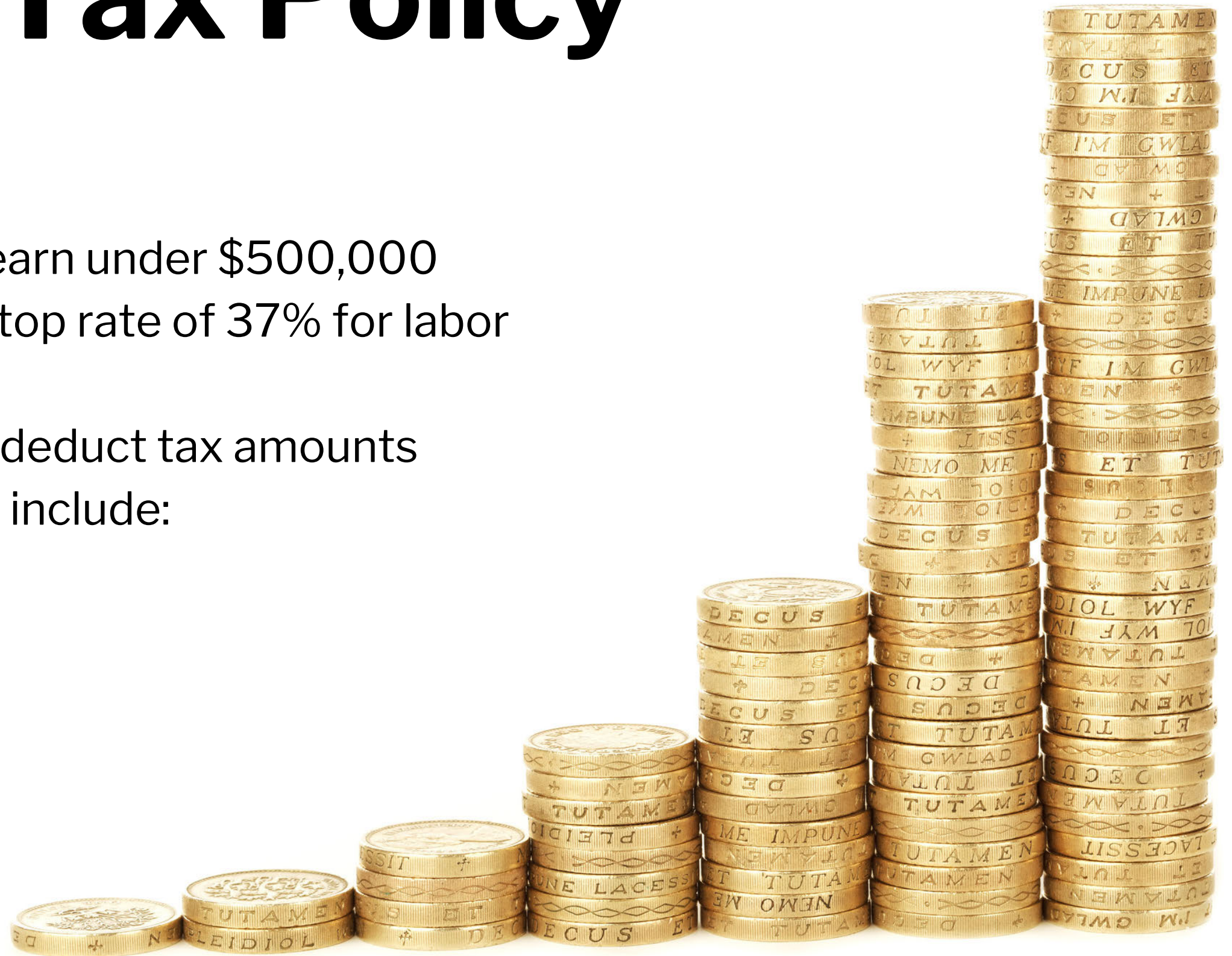
- The lower classes are suffering at the hand of the tax system as it continuously relies on their tax dollars to reduce the national debt.
- Without the tax revenue from the wealthy, the government is forced to rely on its poorest citizens to make up for the losses.

## LOSS OF WELFARE FUNDING

- With less tax revenue, there is less money for welfare programs for struggling citizens.
- Welfare is important in our society; it has been shown that welfare spending corresponds to the overall happiness of citizens according to psychologists Dr. Shigehiro Oishi, Dr. Kostadin Kushlev, and Ulrich Schimmack.

# The Current Tax Policy

- Under the current tax policy, those who earn under \$500,000 annually have a tax rate of 23.8%, with a top rate of 37% for labor income, according to Jim Tankersley.
- The current policy also allows the rich to deduct tax amounts with various strategies. These strategies include:
  - charitable donations
  - investing in stocks
  - sales of stocks or shares for profit
  - Limited Liability Corporations
  - trusts and estates
  - putting money into a retirement fund



## • *CHARITABLE DONATIONS*

- The wealthy can get up to a 60% deduction on their taxes through charitable donations.
- They write off their donations to reduce the amount of money the government can tax.

## • *STOCKS & CAPITAL GAINS*

- The rich can invest in stocks to get deductions; when these stocks are sold, the profits or losses made (capital gain/loss) are taxed at lower rates than income, serving as an advantage to the wealthy.

# HOW THE WEALTHY AVOID THEIR FAIR SHARE

## • *CREATING AN LLC*

- An LLC, a Limited Liability Corporation, is one way the rich can manage multiple investments at once.
- These can be portfolio assets, real estate investments, or business investments.

## • *TRUSTS AND ESTATES*

- The rich can put their money into trusts that are passed on to someone in their family after they pass.
- They can also be put into estates or into a retirement fund.

**All strategies mentioned are according to Michelle Fox, a personal finance journalist for CNBC.**

# Proposed plans



<http://www.clker.com/clipart-674664.html>

## ***PRESIDENT-ELECT JOE BIDEN***

- Biden's plan for tax reform in the US is to raise the rate on top incomes and profits from stocks for earners over \$1 million a year.
- Raising the rate for earners over \$400 thousand a year
- No wealth tax (tax on a person's wealth, not income).
- Could raise \$4 trillion in tax revenue.



<https://www.cnn.com/2019/05/08/politics/joe-biden-bernie-sanders-analysis/index.html>

## ***SENATOR BERNIE SANDERS***

- Senator Sanders's plan on taxes was to include a wealth tax
- Raising the rate on profits from stocks for earners over \$250 thousand a year.
- Jim Tankersley writes, "The rate would be 40 percent for Americans earning between \$250,000 and \$500,000. For those earning above \$10 million, the top rate would be nearly 60 percent."

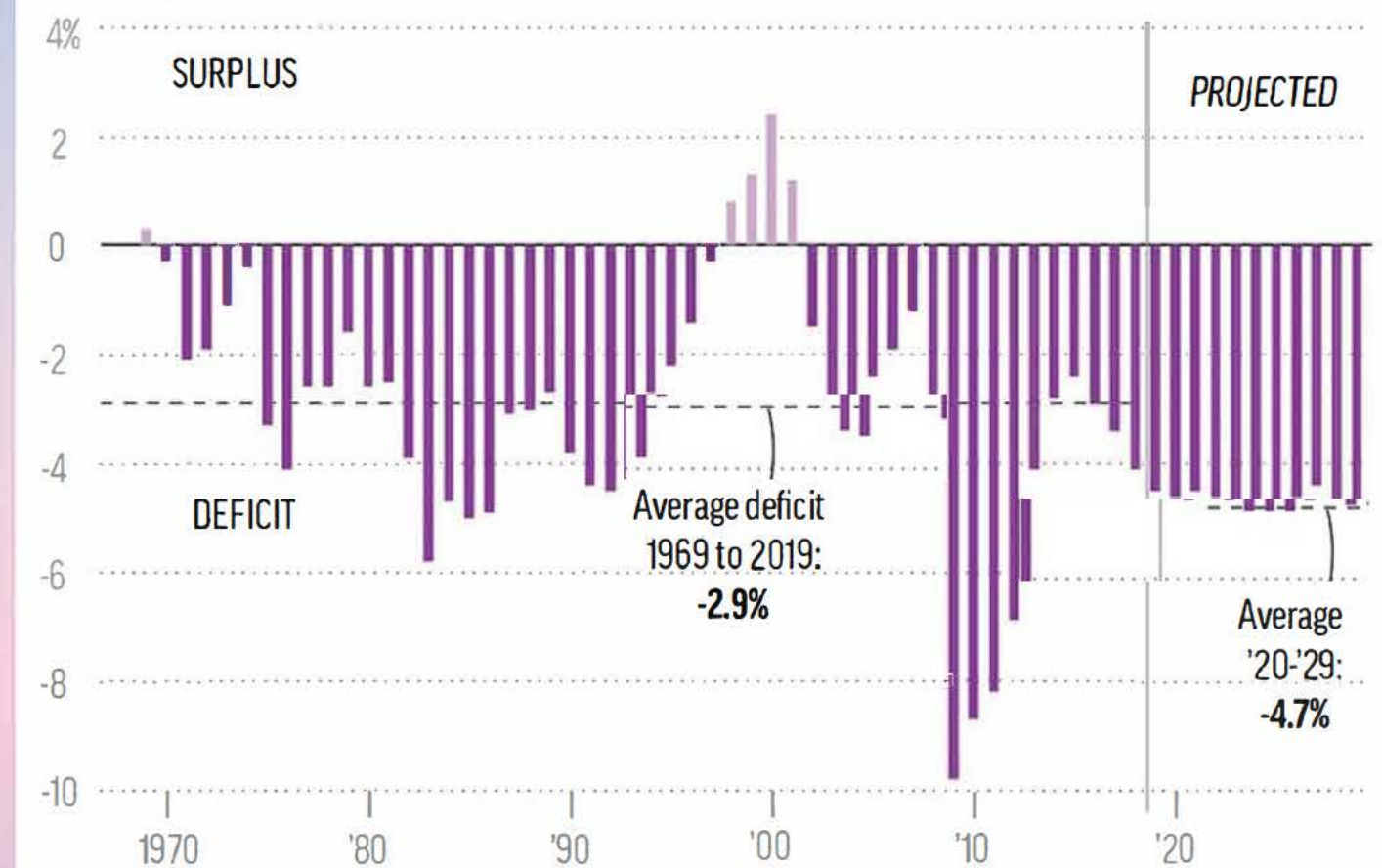
# The National Debt

- As of 2015, the national debt was estimated to be around \$426 billion.
- Debt has grown to the size it has is due to the tax cuts and insufficient revenues brought along by the Bush administration.
- The debt is allowing for the gap between the rich and the poor to grow.
- The system lets the rich continue to expand their wealth, while the poor pay the price.
- Almost 2/3 of citizens agree that, “the current system favors the rich and that the gap between rich and poor is growing,” according to psychologists Dr. Shigehiro Oishi, Dr. Kostadin Kushlev, and Ulrich Schimmack.

## Federal deficit set to reach \$1 trillion

The deficit for the current fiscal year will come to \$960 billion. In the next fiscal year, which begins Oct. 1, it will exceed \$1 trillion.

Percentage of Gross Domestic Product



SOURCE: Congressional Budget Office

AP

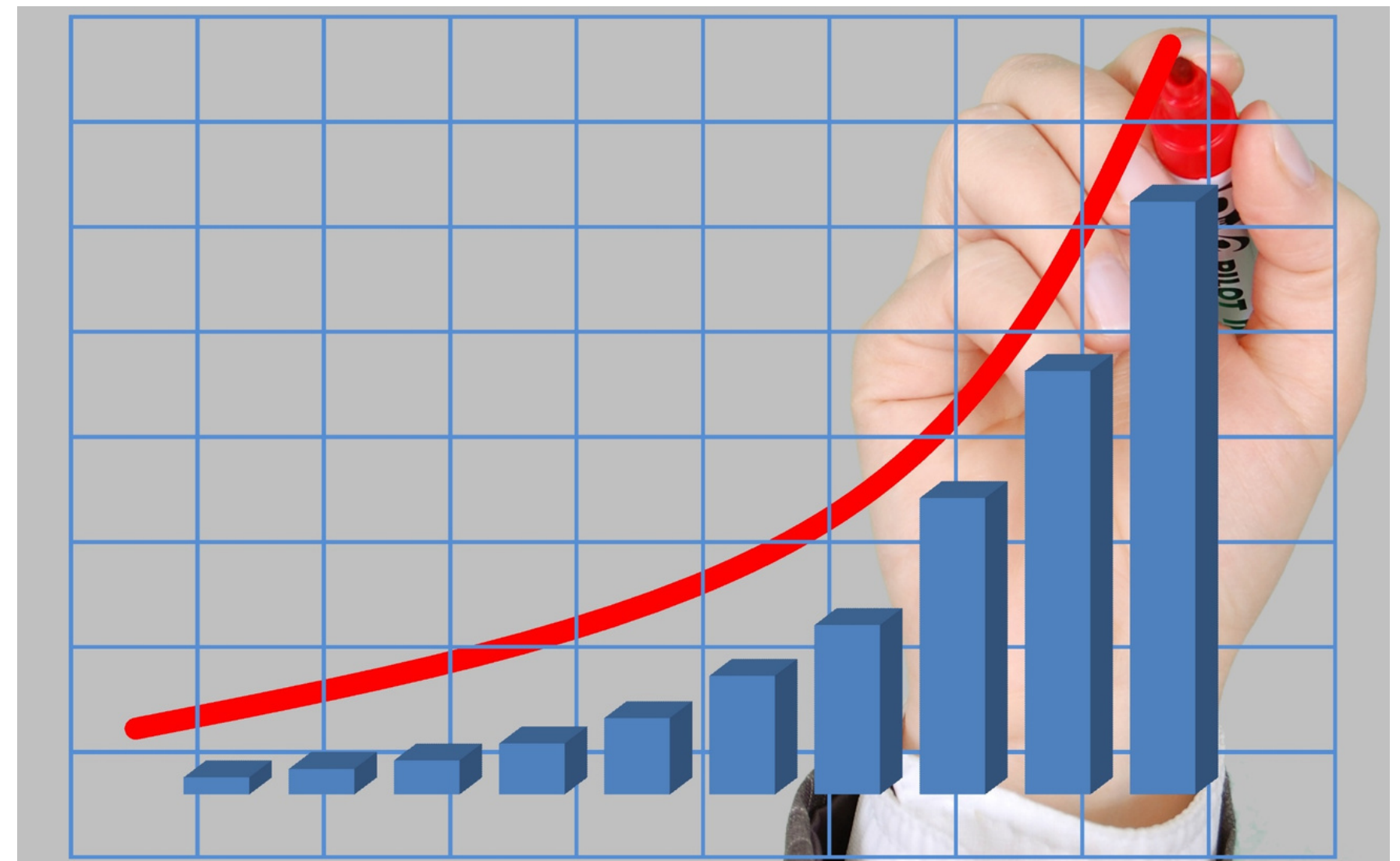
This graph shows the federal deficit over time and the projected deficit in the 2020s (as of 2019).

<https://apnews.com/article/f26c8c00b2eb4f98b84cd6921cca2fdb>

A close-up photograph of a black calculator with blue buttons and several gold coins, some stacked and some scattered, in the top left corner of the slide.

# What Can be done to fix the debt?

- Reform the tax system to where there is limited tax avoidance.
  - This would make it harder for taxes to be avoided after tax rates are raised based on income brackets.
- If the top one percent of households – about 1.13 million households with an average income of \$2.1 million – were to be taxed at a rate of 40%, \$157 billion in revenue would be generated in the first year alone.
- If only the top .1 percent - 115,000 households with an average income of \$9.4 million – at that same rate of 40% -- \$55 billion of revenue would be produced in the first year, according to Patricia Cohen, award-winning national economy writer for *The New York Times*.







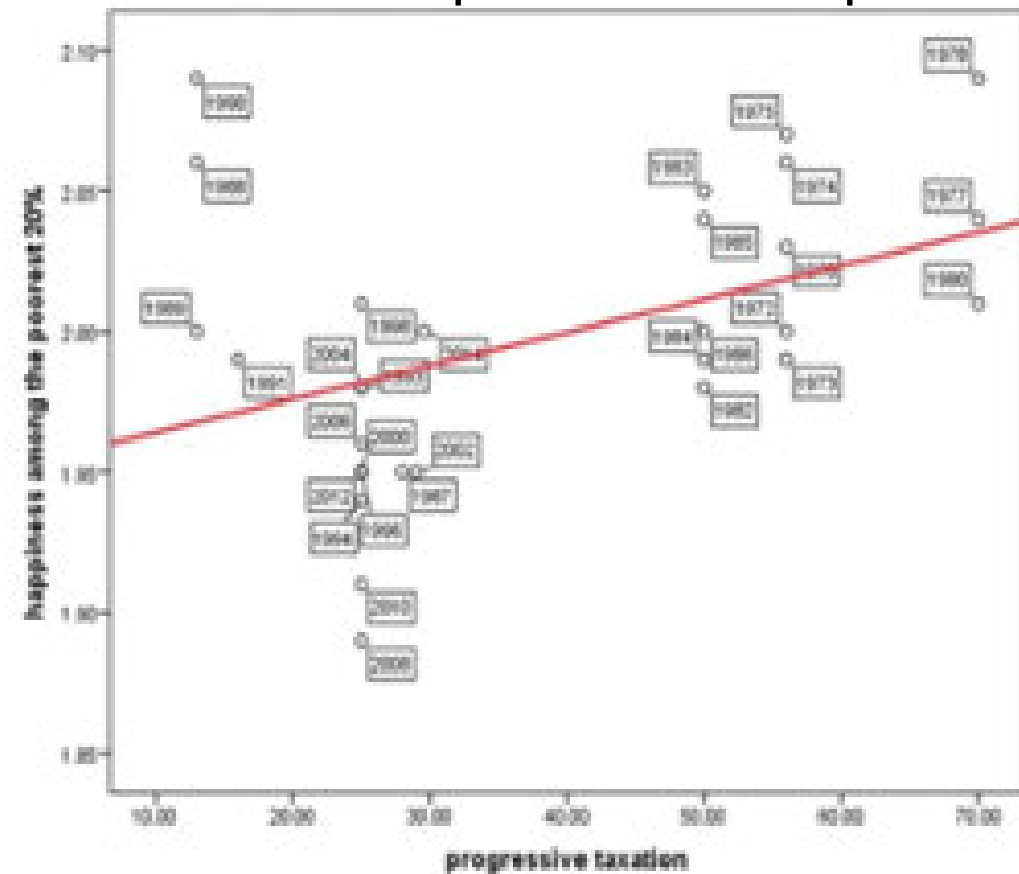
# Extra Revenue

- With the extra revenue brought in from increased taxes, more money could go towards welfare programs.
- Tax revenue is already used to fund these programs, so more money invested in it means it can reach more people and improve the welfare system.
- Extra tax revenue for the government would relieve some of the burden off of the lower classes.
- According to Jim Tankersley, economics and tax policy writer for *The New York Times*, this money could pay things like:
  - free college tuition
  - paid leave
  - early childhood education
  - universal care for children



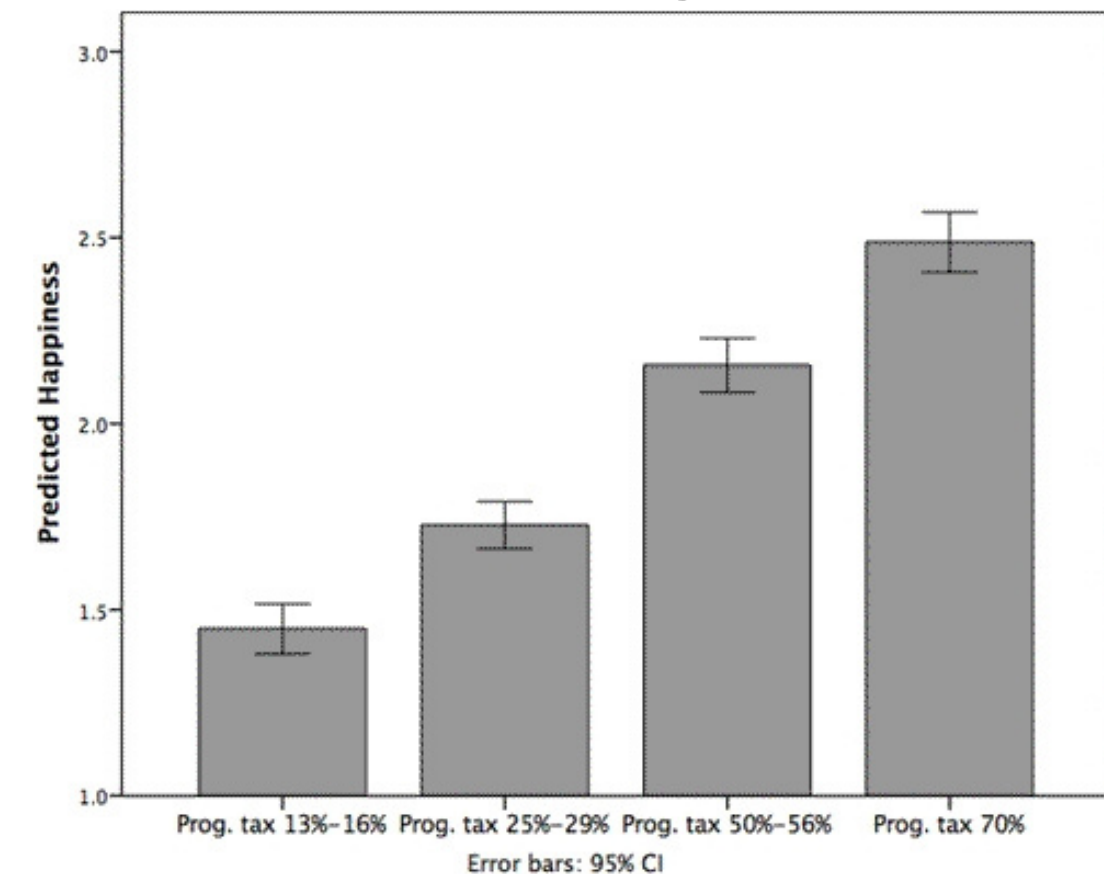
# The Impact of Welfare on Citizens

- Welfare programs have been linked to the life satisfaction and happiness of citizens.
- According to Dr. Shigehiro Oishi, Dr. Kostadin Kushlev, and Ulrich Schimmack, "residents of countries with more generous welfare spending reported on average higher levels of life satisfaction."
- In the graph in the bottom left, happiness among the poorest 20% of Americans increases overtime as the tax policies become more progressive.
- The graph in the bottom right represents the years of 1972-2014. This graph represents the predicted happiness of citizens under different rates of progressive



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taxation.



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# Concerns for Tax Reform

## HARMS THE ECONOMY

- High tax rates have some economists concerned about the potential harm on the economy, especially higher tax rates on sales of stocks.
- Tax policy and economy researcher and writer Jim Tankersley states: "Orthodox free-market economists argue that comparatively lower taxes on capital gains stimulate investment, and conservatives warn that raising those taxes would hamper economic growth."
- They worry that there would be less incentive for investors if taxes were raised.

## LOSS OF JOBS

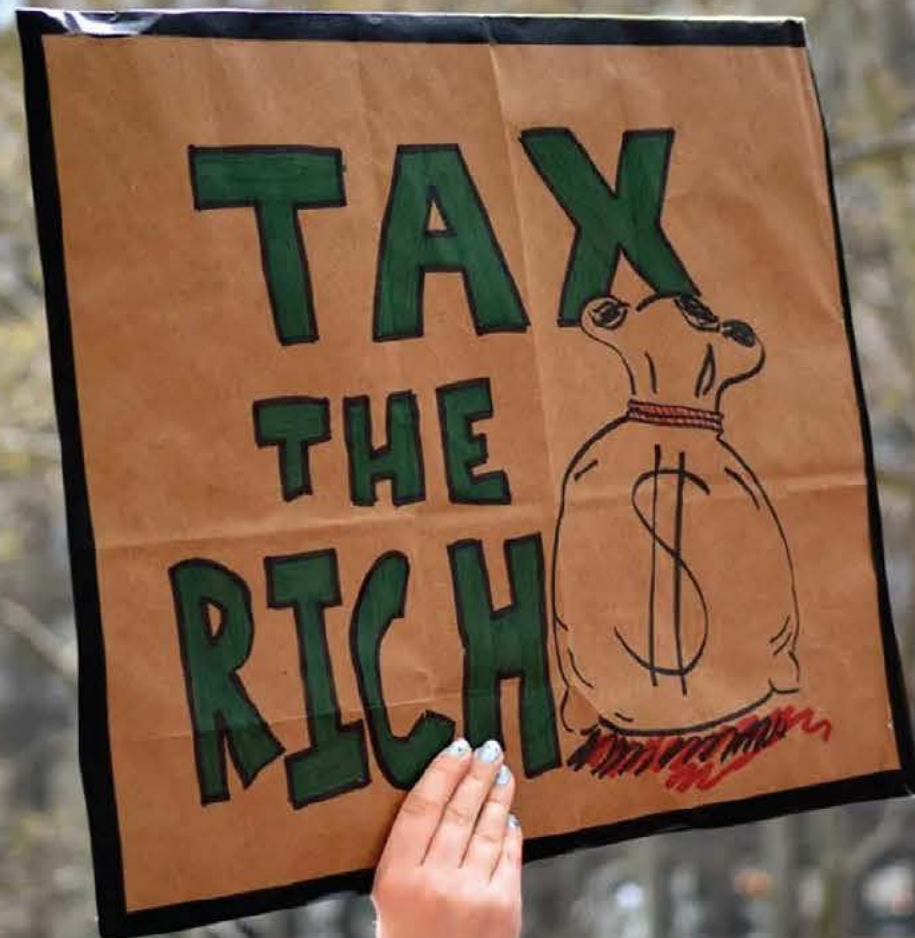
- According to Patricia Cohen, conservatives and free market economists believe raised taxes on the rich would:
  - harm the economy
  - take money away that could be used to create jobs
- They also argue that lower taxes would:
  - boost economic activity
  - provide significant amounts of revenue over time.

## INSUFFICIENT REVENUE

- Profits from stock sales wouldn't provide much extra revenue
  - only about 1/4 of people that own corporate stock would be able to be taxed.
- Howard Gleckman, senior contributor of personal finance for *Forbes*, states that with this small amount of taxable shareholders, investors could hold onto their profits until their passing, just to avoid paying taxes on their profit.

# In Conclusion

- To ensure the tax burden on the lower classes is relieved, the government should install measures in the tax system that allows for less loopholes or ways to gain the system.
- The wealthy have taken advantage of the system, leaving the lower classes to pay higher taxes and allowing the gap between the rich and the poor grow.
- More tax revenue is needed to improve the quality of life of the American people, and could provide more opportunities (like healthcare and education) to those who could not previously afford it.
- *The wealthy should pay more in taxes for the benefit of the country and its citizens.*



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