

September 10, 2021

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Room H-232, The Capitol
Washington, DC 20515

The Honorable Chuck Schumer
Majority Leader
United States Senate
Room S-221, The Capitol
Washington, DC 20515

Dear Speaker Pelosi and Leader Schumer:

We, the undersigned high net worth individuals and corporate leaders, would likely be among the very small portion of Americans to pay higher individual and corporate taxes under President Biden's proposals being considered by Congress in the infrastructure plan. And we say: **it's about time.**

Our nation faces decades of deferred infrastructure maintenance and requires substantial repairs and upgrades, including the urgent need to address climate change. Our country severely lags our peer countries in providing the care to the very young and very old that would allow their current caretakers to participate in the formal workforce. Far too many people, especially children, are living in poverty. Health care is expensive and inaccessible for many, and education is under-supported. Yet, we are a nation that can do great things when we set our mind to it.

The costs of rectifying these problems should not be borne by those aspiring to achieve greater economic security, but by those of us whose lifestyles will be affected only marginally if at all. Our assets have grown substantially, even through the pandemic when so many people suffered economically and are even now still struggling to regain financial and household stability. And the policy decisions of our country have resulted in deep, systemic racial and gender wealth gaps that can no longer be ignored.

Like two-thirds of Americans when polled about the Biden tax proposals, we strongly support raising new revenue from those of us who can most afford it. In fact, taxing high net worth individuals and corporations significantly increases support for the president's agenda — especially with independent voters. By a 7 to 1 margin, voters overwhelmingly want the president's investments paid for by taxing the rich and corporations, rather than by increasing the deficit.¹

President Biden's proposal would **raise the top marginal income tax rate to 39.6%**—precisely where it was just four years ago during a long period of strong economic growth. Cutting that rate as part of the 2017 tax law didn't improve that growth trajectory,² and there is no reason to think that it would be a hindrance today. Nor would this increase of 2.6 cents per dollar on individual income over \$452,700 (\$509,300 for couples)³ have a significant effect on our consumption. *Less than two percent of taxpayers would be affected by this change* — those close to the cutoff would pay only a tiny amount more since only income over the threshold is taxed. But the benefits to the nation would be substantial and long overdue, creating good jobs for the many workers employed by infrastructure projects and benefitting both the providers and users of caregiving services created or enhanced by these revenues.

¹ <https://americansfortaxfairness.org/wp-content/uploads/ALG-HART-ATF-POLL-MEMO-JUNE-2021-FINAL.pdf>

² <https://www.washingtonpost.com/business/2020/09/05/trump-obama-economy/> ;
<https://www.taxpolicycenter.org/taxvox/searching-supply-side-effects-tax-cuts-and-jobs-act>

³ <https://www.cnn.com/2021/06/01/bidens-proposed-39point6percent-top-tax-rate-would-apply-at-these-income-levels.html>

We also agree with Biden’s plan to **tax capital gains income as ordinary income for individuals making over \$1 million** (\$2 million for married couples). It’s particularly disconcerting that while so many working Americans pay taxes with every paycheck, some billionaires are able to pay [zero dollars in federal income taxes](#) and overall billionaires are paying historically low levels of taxes, even when compared to wealthy Americans. Treating all income the same was good enough for President Ronald Reagan in the 1986 tax reforms, and it should be good enough for both Democratic and Republican members of Congress today, especially with the generous exemptions that would maintain the lower rate for over 99% of the public. Equities already appreciate tax-free for as long as they are held, giving people with investments an advantage over those who work for wages in order to pay their bills. There is no need to exacerbate this disparity with lower tax rates for income from investments that overwhelmingly benefit the very wealthy: over half of all long-term capital gains are claimed by the top 0.1% of income earners.⁴ Despite repeated predictions of doom by some analysts, there is no apparent correlation between low capital gains tax rates and economic growth.⁵ And, treating capital gains the same as ordinary income for high-income individuals would essentially close the notorious and unjustified “carried interest” loophole that allows investment managers to have their massive fees taxed at the lower capital gains rate even when they don’t have their own capital at risk. If nothing else, it’s time to close the loophole that allows billionaires to defer paying taxes on investment gains over a billion dollars. This anti-deferral accounting for billionaires is an important part of balancing the tax code and ensuring America has the resources it needs to invest in its future. We need to affirm the dignity of work and stop giving proceeds from passive investments preferential tax rates over earnings from actual labor. This change would also help to reduce gender and racial wealth disparities.

It is also time to **do away with the “stepped-up” tax basis loophole** that wipes out taxes on capital gains if passed on to an heir after the death of a wealthy investor or property holder. In the current system, a stockholder pays capital gains taxes on a stock sold a day before dying but does not pay any capital gains taxes on that stock if held until death. Since wealthy people typically have much of their assets in property, the stepped-up basis allows tremendous amounts of capital gains to escape taxation entirely. These untaxed increases in value make up about 33% of inherited estates between \$5 million and \$10 million, and 55% of inherited estates of over \$100 million—so over half the wealth increase of the largest estates is never subject to income taxation.⁶ This injustice should end, and Biden’s proposal ensures it does.

We believe the Biden administration’s plan rightfully **strengthens much-needed IRS enforcement against tax cheats**. The agency’s budget was cut by a full fifth from 2010 to 2018,⁷ resulting in a massive reduction in personnel and a loss of nearly one-third of the employees in enforcement rolls even though the Service has more to do than ever. As a result, audit rates dropped by almost 60% between 2010 and 2019, and audits on people with incomes over \$10 million declined even more dramatically to a tiny 6.6% in 2019⁸. Increased IRS funding will ensure that people like us are paying what we should.

We also support the administration’s proposal to **raise the corporate tax rate to 28%**. Just a few years ago the statutory corporate tax rate was 35%. The Trump administration cut the statutory rate to 21%—lower than what most corporations were even asking for—and said that the cuts would result in a surge of

⁴ <https://www.taxpolicycenter.org/model-estimates/distribution-individual-income-tax-long-term-capital-gains-and-qualified-44>

⁵ <https://www.forbes.com/sites/leonardburman/2012/03/15/capital-gains-tax-rates-and-economic-growth-or-not/?sh=355cb30e1e2e>; <https://equitablegrowth.org/the-relationship-between-taxation-and-u-s-economic-growth/>

⁶ <http://www.cbpp.org/research/federal-tax/ten-facts-you-should-know-about-the-federal-estate-tax>

⁷ <https://www.cbo.gov/publication/56422#section2>

⁸ <https://slate.com/business/2020/01/irs-audits-revenue-declining.html>

corporate investment. Instead, there was no sustained increase in business investment.⁹¹⁰ Nor did the lower rate result in any substantial increases in manufacturing jobs or in the job growth rate. Raising corporate tax rates would keep the U.S. in line with the tax rates of other comparable OECD nations and require them to contribute more of their fair share to the physical and personal infrastructure on which these corporations depend.

We further support implementing a **modest wealth tax on billionaires and ultra-millionaires with net assets over 50 million dollars**. The very wealthy have seen their assets soar over the past few decades, often through passive investments, while the government has had to search behind metaphorical couch cushions for resources to support working families. A 2 percent wealth tax on the portion of fortunes over \$50 million and 3 percent on \$1 billion and above would affect not one percent of the population, or even half of one percent, but just *one-twentieth of one percent*.¹¹ This is not a new idea, but it is newly urgent. Most Americans pay taxes on their home, their biggest asset. This tax would make sure that of the over 300 million people in the U.S., a mere 100,000¹² people with extremely large fortunes are helping to pay for the priorities that will lead the entire country to more, better-paying jobs and sustained economic recovery. It should be no wonder that this proposal is popular, including with two-thirds of voters, and a majority of Republicans in some polls.¹³

It's fine to build wealth, and it's fair to ask those who have done so to help fund the programs that help create and sustain a productive economic base for everyone. Those of us fortunate enough to be high earners or with substantial assets will continue to be high earners and with substantial assets if President Biden's revenue proposals and a modest wealth tax are enacted. And majorities across the political spectrum support higher taxes on the wealthy. It would defy common sense not to have those of us who make the most, have the most, and would suffer the least do marginally more to secure our nation's future. Biden's tax plan does just that.

Signed,

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⁹ <https://www.nytimes.com/2021/04/09/opinion/trump-corporate-tax-reform.html>

¹⁰ <https://www.wsj.com/articles/did-the-u-s-tax-overhaul-do-what-it-promised-11578114001>

¹¹ <https://www.warren.senate.gov/imo/media/doc/Summary%20-%20Ultra%20Millionaire%20Tax%20Act%20of%2020211.pdf>

¹² <https://www.warren.senate.gov/imo/media/doc/Summary%20-%20Ultra%20Millionaire%20Tax%20Act%20of%2020211.pdf>

¹³ <https://americansfortaxfairness.org/issue/recent-polling-tcja-taxing-wealthy-corporations/>

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