

Rebuilding the American Dream by Returning to Fairer Tax Rates

#7. Return to Fairer Tax Rates. End, once and for all, the Bush-era tax giveaways for the rich, which the rest of us—or our kids—must pay eventually. Also, we must outlaw corporate tax havens and tax breaks for shipping jobs overseas. Lastly, with millionaires and billionaires taking a growing share of our country's wealth, we should add new tax brackets for those making more than \$1 million each year.

We lack the revenue to pay for the vital public systems and structures that we *all* benefit from. The taxes we pay lay the foundation for a sound economy and wealth creation by funding roads and railways, well-educated workers, courts, clean food and water, scientific research, and much more. [But federal revenue is at its lowest level since 1950](#), relative to the size of our economy. [EPI] The [Bush-era tax cuts have cost us \\$2.5 trillion](#) in revenue since 2001, and have not created jobs. [CTJ] Our national debt grew as we [borrowed money](#) to launch two wars, while the worst recession in decades caused huge job losses that shrunk revenues. [CBPP]

Tax changes over several decades have shifted taxes off the wealthy and onto the middle-class at the same time that the rich have gotten much, much richer. [The amount of income going to the top 1% more than doubled](#) from 10 percent in 1979 to 24 percent in 2007. [CBPP] Today, [the wealthiest 1% controls 35% of all wealth](#), while the bottom 80% has only 13 percent. [EPI] [The richest 400 taxpayers paid just 18% of their income in taxes](#) in 2008, down from 30% of their income in 1995. [Too Much] And, shockingly, over [1400 millionaires paid zero income tax](#) in 2008. [IRS]

Our tax system rewards wealth over work. Income from Wall Street -- capital gains (selling stocks, real estate, and other investments) and dividends (earnings from stocks) is taxed at just 15%, while income from work is taxed at a top rate of 35%. [UFE] That means a secretary pays a higher tax rate than her CEO boss does on most of his income.

Our tax system worsens the racial wealth divide. Because of historical and ongoing discrimination and segregation, in 2009, the typical [White household had 20 times more wealth than Blacks](#) and 18 times more than Latinos. [Pew] [Tax breaks for wealth accumulation flow overwhelmingly to Whites.](#) Whites are 11 times more likely than Blacks and Latinos to have a net worth of over \$5 million, so cutting the estate tax overwhelmingly benefits White heirs. [UFE]

Tax changes, loopholes, and havens have shifted taxes off corporations and onto the middle-class and small businesses. The share of revenue from the [corporate income tax has been slashed in half](#) over the last 60 years. [TPC] Today, billion-dollar corporations like Verizon, Bank of America, Exxon, and General Electric pay zero or shamefully low taxes. [Tax haven abuse ships both American jobs and tax dollars overseas.](#) [IPS]

What We Can Do About it:

End the Bush-era income tax cuts for the highest-income 2% who earn over \$250,000. In 2012, allow the top tax rate to return from 35% to 39.6%. [Extending those tax cuts would cost over \\$800 billion](#) over the next decade. [CAP] Raising taxes on wealthy households reduces the deficit with little impact on the economic recovery or job growth. [Only 3% of small business owners have such high incomes](#), so few would be affected by these tax increases. [EPI]

Restore tax brackets for the super-rich. The [Fairness in Taxation Act](#), H.R.1124, would raise \$74 billion in 2011 by increasing tax rates on both work and capital gains to 45% for millionaires and to 49% for billionaires. Then hedge fund managers who earn millions will no longer pay a 15% rate. [CPC]

Establish a strong estate tax. Our nation's only tax on wealth was sharply reduced in 2010. The [Responsible Estate Tax Act](#), S.3533, would exempt \$3.5 million from taxes and add rates of 45% to 65% for the ultra-wealthy, raising about \$170 billion over ten years compared to the current low estate tax. [EPI] A [strong estate tax reduces inherited wealth](#) and the disparities in wealth held by Blacks and Latinos. [UFE]

Rebuild The Dream thanks our partners for creating this series of fact sheets. We offer them as conversation starters for discussion. They do not necessarily reflect policy positions of Rebuild The Dream, our partner groups, or individual signers to the Contract for the American Dream.

Crack down on offshore tax dodging that costs taxpayers \$100 billion a year. The [Stop Tax Haven Abuse Act](#), S.1346 and H.R.1265, would combat offshore secrecy and fictional foreign entities, close tax loopholes, and strengthen penalties on tax shelter promoters. [CTJ]

