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What Is a "Wealth Tax"?

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As we struggle through the heat (real and political), it seems worthwhile to focus on a few issues that are prominent in the presidential race. So, every now and then this summer, the Arizona Legislative Alert will have a short essay on something you might have wondered about. The first topic: **What Is a "Wealth Tax."**

But first some announcements

Noon, Sunday, July 28 - FREE SCREENING **FILM: PARIS TO PITTSBURGH**. At Valley Unitarian Universalist Congregation (6400 W. Del Rio, Chandler) in the Sanctuary. Light lunch will be served. Reverend Doug Bland will be preaching at the Service on this Sunday, beginning at 10:30, on environmental issues. National Geographic, in partnership with Bloomberg Philanthropies produced this film, Paris to Pittsburgh, to inspire local community action to heal the climate for the benefit of all. From coastal cities to America's heartland, this film celebrates Americans who are demanding and developing real solutions in the face of climate change. This film is being sponsored by the VUU Chapter of Citizens' Climate Lobby in conjunction with Arizona Interfaith Power and Light. All are welcome.

August 6 [Arizona Jews for Justice](#), [LUCHA - Living United for Change in Arizona](#), [Planned Parenthood Action](#), @national council of Jewish women Arizona. Watch the livestream on our page, and mark your calendars for August 6th for the next protest from these justice partners. More details later@!

Need a new career? Try [Arizona Career Pathways](#) (information below).

Hold the date! OCTOBER 26! "UUJAZ's Issues + Action Day will combine justice partners leading us in actions, incredible food and time for building relationships, inspiring music and speakers, and a surprise evening event! Join us at the UU Church of Surprise October 26th. More details to come when tickets go on sale in August... mark your calendars, you won't want to miss it!" UUs and progressives everywhere are welcome!

WHAT IS A WEALTH TAX?

A wealth tax is simply a tax on your accumulated assets – the net value of your house (appraised value minus what you owe), net value of other property including a farm or business, net value of your car, value of your retirement account(s), and other assets. Sen. Elizabeth Warren’s wealth tax plan exempts the first \$50 million of your assets (LOL), and then charges 2 cents on each dollar above \$50 million; and it charges 3 cents on each dollar above one billion in assets. So, this truly is a “tax on the rich.”

How much would it raise? Sen. Warren estimates the tax on roughly 75,000 households will raise about \$2.75 trillion in revenue over a 10-year period. Emmanuel Saez and Gabriel Zucman, the UC Berkeley economists who helped Warren craft her wealth tax, say it would raise \$212 billion in 2019 (and \$2.75 trillion from 2019 to 2028). Saez is best known as the co-author with Thomas Picketty of the book, *Capital*, that exposed and brought to public attention to huge growth in income inequality in the U.S. The wealth tax, however, is on WEALTH, not income, and part of the reason is that the very wealthy pay a much smaller percentage of their income in taxes than ordinary people. The amount actually raised would depend on the value of the assets (which is mainly a matter already of public record), and the percentage of their income that the wealthy would be able to shield. With the \$50 million exemption, added income to help with IRS enforcement, an “exit” tax for persons trying to get out of paying it, and other precautions – many based on why this tax did not work in other countries – the Warren tax almost certainly would work well in the U.S. Saez and Zucman estimate that the super wealthy would be able to shield about 15% of their income from the tax. There would be no exemptions, no deductions, no exceptions.

Is this to possible to do? Professors Saez and Zucman have just published [their response to the quibbling](#) over the numbers. The L.A. Times says, “It’s worth examining, not because it nails down their revenue estimate as indisputable (it doesn’t), but because they take point-blank aim at the odd notion in American politics that the wealthy – especially the ultra-wealthy – are somehow impossible to tax.” Here’s an excerpt from Saez and Zucman’s defense of their estimates: “ The richest 15 Americans alone are so rich that they would pay \$28 billion in wealth tax, more than the [estimate given by Summers and Sarin—who say the amount is too high] grand total of \$25 billion. Among these 15 richest persons, 12 of them—representing 83% of the wealth of this group—are large shareholders of corporate giants Amazon, Microsoft, Berkshire Hathaway, Facebook, Oracle, Google, Walmart, and Las Vegas Sands, whose stock is publicly traded and thus has a well-defined market value. For them, avoiding the wealth tax is impossible. How could Jeff Bezos pretend that his wealth in Amazon stock is worth only a fraction of its observable market value? For the remaining 3 in the top 15, their wealth is in private businesses (Koch industries and Bloomberg LP) for which there is no traded stock. But a large chunk of the value of these businesses derives from owning other publicly traded

companies, making it hard for the Koch brothers and Michael Bloomberg to pass for paupers.” The defense of these estimates is impressive!!

What would it be used for? Some of it for universal child care, early childhood education, free public higher education, student debt relief (forgiveness of student higher education loans) and universal health care, according to Sen. Warren. Actual use, of course, would be up to the Congress to decide. Some would be used to enhance IRS enforcement to make sure the money is collected. Money could and should be used for infrastructure, for economic growth investment in low income areas, for K-12 quality improvements especially in impoverished areas, etc. The money could be used to expand the earned income tax exemption or for a negative income tax for the poorest households.

But what about those European Countries that tried and it didn't work? Their situations were very different. Most of the European ones exempted only \$1 million (not \$50 million), and the estate tax which sometimes is also used as a reason the wealth tax won't work had a threshold of \$5.5 million. This very high threshold of \$50 million means there are far fewer lobby groups aiming for exceptions since only 75,000 households are this rich. Most of the European countries gave in to lobbyists and did not have protections against them shielding their income. Sen. Warren's proposal has learned from the European experience.

But, isn't this socialism? Well, yes. So what? The U. S. has a mixed economy. Most goods and services are provided through markets – regulated as needed to ensure fair competition, avoid monopolies, and protect contracts. Goods and services that are not likely to be provided by the private sector – such as utilities – and those that have extensive “externalities” – such as education -- are provided by the public (taxpayers) or public/private partnerships. Externalities are benefits to the broader community, not just the person buying the goods and services; or costs to the broader community. Public education, for example, has extensive positive benefits to business, neighborhoods, the society as a whole -- not just to the person receiving the education. Taxes are, indeed, socialistic. The U.S. is a mixed – capitalist / socialist -- economy. Get over it! My favorite example of socialism in the U.S.? The Green Bay Packers – a football team fully owned by the taxpayers of the city of Green Bay Wisconsin!

Will this help curb and reduce income / wealth inequality? Yes. Wealth inequality is even greater than income inequality. Here's a summary from the Brookings Institute:

“In fact, the top one percent *alone* holds more wealth than the middle class. They owned 29 percent—or over \$25 trillion—of household wealth in 2016, while the middle class owned just \$18 trillion. This has not always been the case. Before 2010, the middle class owned more wealth than the top one percent. Since 1995, the share of wealth held by the middle class has steadily declined, while the top one percent's share has steadily increased. <https://www.brookings.edu/blog/up-front/2019/06/25/six-facts-about-wealth-in-the-united-states/>

Isn't this far too much money for any one household to have to pay in taxes? Only because some households have far too much wealth!

Overall, is this a good idea? Other than skeptics who think it can't be collected, and those who do not want any government expansion, opponents are having a hard time figuring out why this isn't a good idea!

ARIZONA CAREER PATHWAYS



Begin a new career in the fields of healthcare, IT cybersecurity, construction trades and more...

Arizona Career Pathways is currently recruiting qualified students to go to school to train for a career in allied healthcare, IT, cyber-security, construction trades and more.

Learn how to apply by attending an informational session:

Tuesday, July 30th, 6:30 p.m.
Valley Unitarian Universalist Congregation
6400 W. Del Rio St
Chandler, AZ 85226

In order to be eligible, potential students must...

- Be 18 years of age or older
- Have a high school diploma or GED
- Be a US citizen or legal resident
- Not currently have a 4-year college degree
- Have a household income of 200% or less of federal poverty level

Arizona Career Pathways (a 501c 3 organization) is an initiative of Valley Interfaith Project.

Resistbot.io - How to use it. Click on the "messages" icon on your I-phone, then click on the pencil in the top right-hand corner. You will get a "To: " screen. Put in 504-09 and then in the message type "resist." They will respond and ask for your zip code or address and what you want to do. This is a free service, reportedly developed by volunteers. It will ask for your zip code or address, and then you can send a fax, letter, make a phone call, send an e-mail to Sen. Synema and McSally and the House member as well or even to Governor Ducey.

After you have sent several, it will ask you which of the various people you want it sent to. At first, it just sends to all three, later it will add state-level elected officials, too. You get more services after you've used it awhile!

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[Valley Unitarian Universalist Congregation](#) –

Senior Minister, Rev. Dr. Andy Burnette; Music Minister, Rev. Kellie Walker; Director of Faith Formation, Marci Beaudoin. Administrator, Sue Ringler. Located: 6400 W. Del Rio Drive, Chandler, AZ 480 899 4249 www.vuu.org For previous copies of the *Arizona Legislative Alert*, and for all weeks (so far) of the 50 Week Action Plan go to <https://www.vuu.org/legislative-advocacy>. VUU holds services at 10:30 to 11:30 on Sunday. There are numerous discussion / forums before and after the service. You are welcome here.

[Unitarian Universalist Justice Arizona Network](#) -- Executive Director Jenine Galsinger; [Policy Coordinator](#), Anne L. Schneider. [Board Members, UUJAZ](#): Sharon Travis, Rev. Matthew Crary, Rev. Terry Sims, Molly Divine, and Katie Phares www.uujaz.org.

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