2 Pager: Tax Fairness and Unitarian Universalists for Just Economic Community

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EXCERPT FROM LONGER PAPER WITH CITATIONS.

Eight Tax Policies that Unitarian Universalists Should Back

1. Restore Income Tax Progressivity. Taxes on the wealthy have steadily declined over the last fifty years. If the 1 percent paid income taxes at the same actual effective rate as they did in 1961, the U.S. Treasury would receive an additional $231 billion a year. Taxes on higher income and wealth reached their zenith in the mid-1950s. At the time, the incomes of millionaires were taxed at rates over 91 percent. Creating additional tax brackets for people earning $1 million or more per year could generate at least $79 billion a year.

2. Eliminate Tax Preferences on Income from Wealth: Reform the Capital Gains Tax. One simple proposal would be to tax income from wealth the same as income from work. Current law subjects most dividend and capital gains income—the investment income that flows overwhelmingly to wealthier Americans—to a 20 percent tax rate, after a decade at 15 percent. The tax on wage and salary income, by contrast, can now run up to 39 percent. This yawning gap is what inspired Warren Buffett to call on Congress to "stop coddling the super-rich" and institute higher rates on income from wealth.[9] With carefully structured rate reform, we can end this preferential treatment and at the same time encourage average families to engage in long-term investing.

3. Eliminate Taxpayer Subsidies for Excessive Executive Pay. One way to discourage "short-termism" among leading corporations would be to deny all firms tax deductions on any executive pay that runs over twenty-five times the pay of the firm's lowest-paid employee or $500,000, whichever is higher. Companies can pay executives whatever they want, but over a certain amount, ordinary taxpayers should not have to foot the bill for what becomes excessive executive compensation. Such deductibility caps were applied to financial bailout recipient firms and will be applied to health insurance companies under the healthcare reform legislation. Eliminating perverse loopholes that encourage short-term "take the money and run" financial decision making add up to more than $20 billion per year in lost revenue.[11]

4. Institute a Wall Street Financial Transaction Tax. A modest financial transaction tax on the sale of stocks, bonds, and other financial instruments such as derivatives would generate substantial revenue, estimated between $150 billion and $200 billion a year. At least eleven European countries are on track to adopt a financial transaction tax that could soon raise a total of nearly $72 billion U.S. per year if enacted throughout the European Union. See my IPS colleague, Sarah Anderson, "Giant Victory in Europe on Taxing Financial Transactions,"
http://www.ips-dc.org/blog/giant_victory_in_europe_on_taxing_financial_speculation)

A financial transaction tax would have the positive economic impact of discouraging the controversial high-speed trading that destabilizes the investment markets. New technologies and increased competition between brokers have lowered the cost of trading, which has benefited all investors. But lower trading costs have also opened the door to widespread speculative activity that erodes confidence in the stability of markets. High-frequency trading now comprises about 55 percent of equity trades in the United States. This is a threat to the interests of responsible investors.

5. Levy a progressive estate tax on large fortunes. Since 2001, Congress has weakened the federal estate tax, our nation's only levy on inherited wealth transfers. A progressive estate tax could include graduated rates starting on estates over $5 million and getting more steeply progressive on large estates. One estate tax proposal includes a 10 percent surtax on individual estates valued over $500 million—or $1 billion for a married couple.[13] This would raise $35 billion a year and put a significant brake on the buildup of concentrated wealth over generations, a virtual "plutocracy prevention act."

6. Close the Billionaire Loopholes. Recently, huge loopholes have been blown open in the estate tax through special trusts called GRAT (Grantor Retained Annuity Trust). Wealthy billionaires like Sheldon Adelson are passing billions to heirs untaxes. See our IPS campaign to http://closethebillionaireloophole.org.

7. Close Offshore Tax Haven Loopholes for Transnational Corporations and Wealthy Individuals. In the mid-1950s, corporations contributed a third of the nation's revenue. Today, corporations pay less than one-tenth of the nation's revenue. By current statute, corporations are supposed to pay a 35 percent tax on their profits. According to Citizens for Tax Justice, the top U.S. corporations actually paid only 18.5 percent of their profits to Uncle Sam between 2008 and 2010.

One of the main ways that large corporations dodge their fair share of taxes is by playing global shell games using subsidiaries in countries with low or no taxation. The use of offshore tax havens and "secrecy jurisdictions" enables hundreds of multinational companies like Apple, Verizon, Boeing, Pfizer, and General Electric to shift their responsibility for paying taxes onto responsible businesses that operate within our borders. A common gimmick of the corporate 1 percent is to shift profits to subsidiaries in low-tax or no-tax countries such as the Cayman Islands. They pretend corporate profits pile up offshore while their losses accrue in the United States, reducing or eliminating their company's obligation to Uncle Sam.

8. Tax Carbon and Pollution. In order to slow the pace of climate change, we must raise the cost of carbon. A number of proposals levy a tax on carbon and increase it gradually each year to encourage new investments in energy efficiency. The revenue from a carbon tax could be $90 to 150 billion a year and could be partially rebated back to consumers on a per capita basis to offset its regressivity.