

Funding Investments for the Common Good with Responsible and Fair Tax Policies

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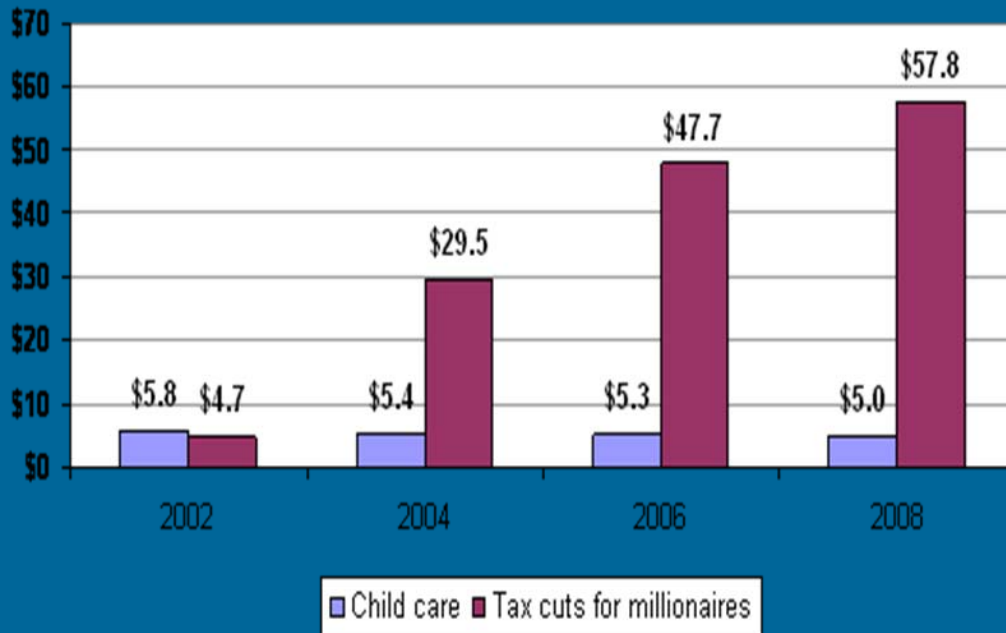
Tax Cuts for the Wealthy and Corporations Didn't Produce Shared Prosperity

- Even before the recession started:
 - Job growth was weak
 - Real income declined for the typical household
 - Poverty increased



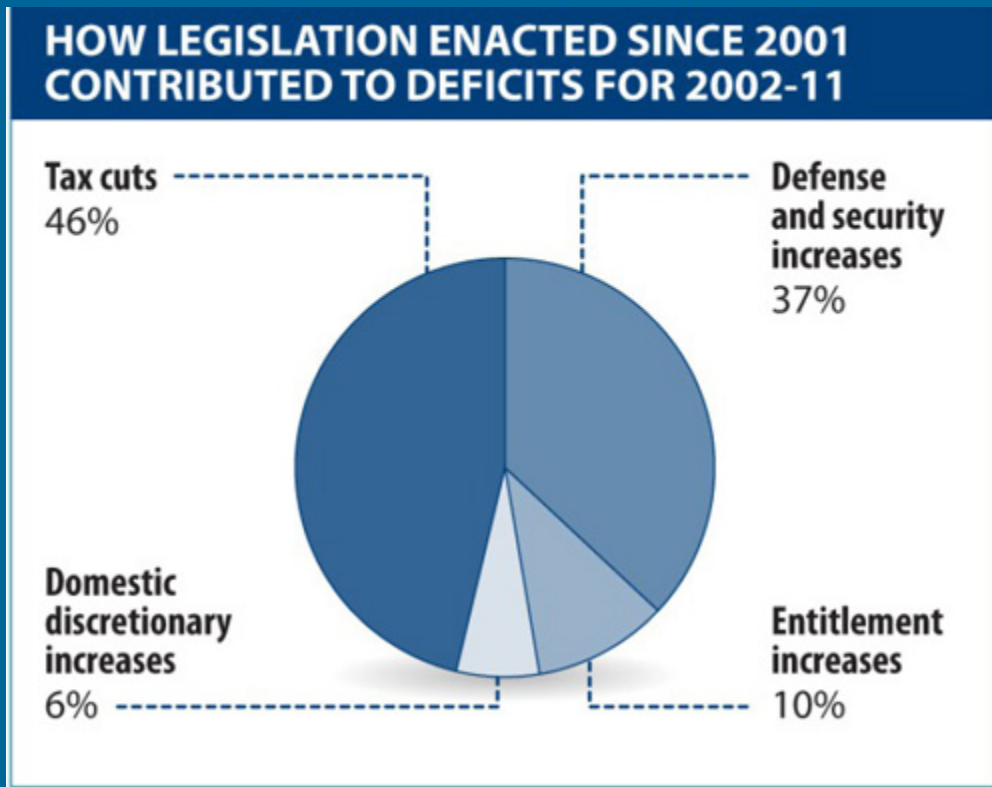
Tax Cuts Starved Vital Services

Federal Funding for Child Care Through the CCDBG Has Declined While Spending on Tax Cuts for Millionaires Has Skyrocketed
(in billions of 2008 dollars)



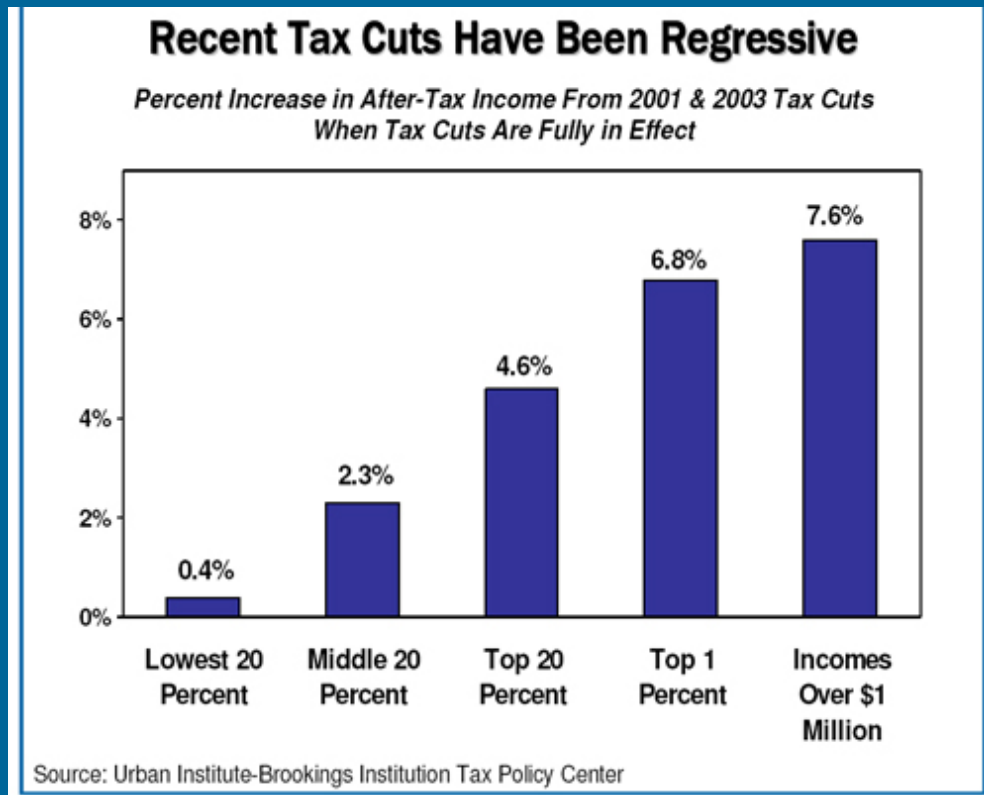
- Fill in the program of your choice!
- Tax cuts for the top 1% cost more in a year than federal spending on education.

Tax Cuts Inflated Budget Deficits



- Tax cuts don't pay for themselves!

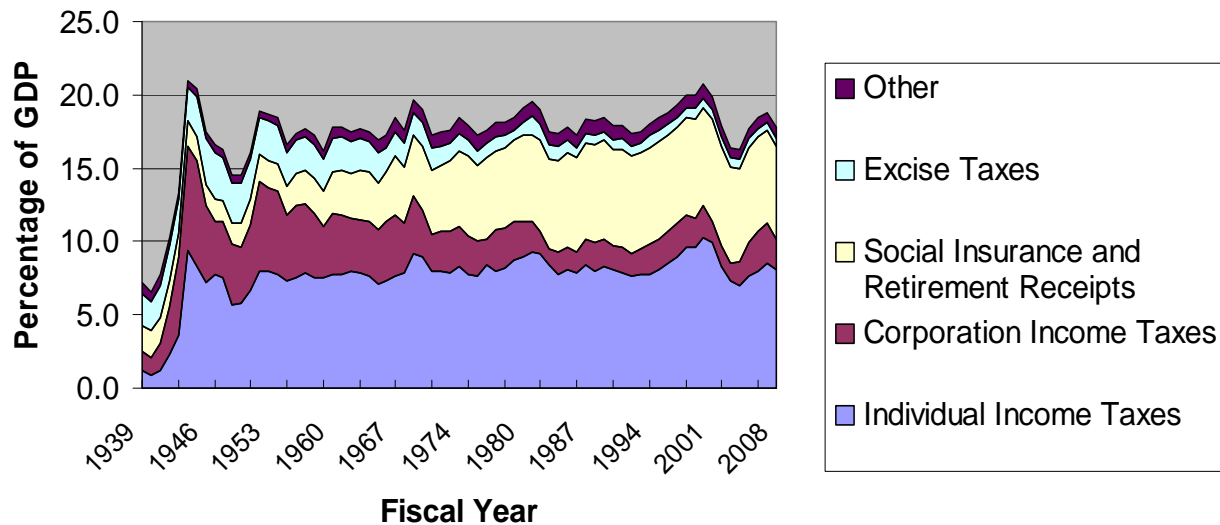
Tax Cuts Widened Income Inequality



- The income gap between the wealthy and everyone else – before taxes – has been increasing.
- 2001 - 2003 tax cuts gave the biggest boost in after-tax income to the wealthiest – and made the gap wider.

Where Do Our Tax Dollars Come From?

Federal Receipts as a Percentage of GDP, 1939-2008



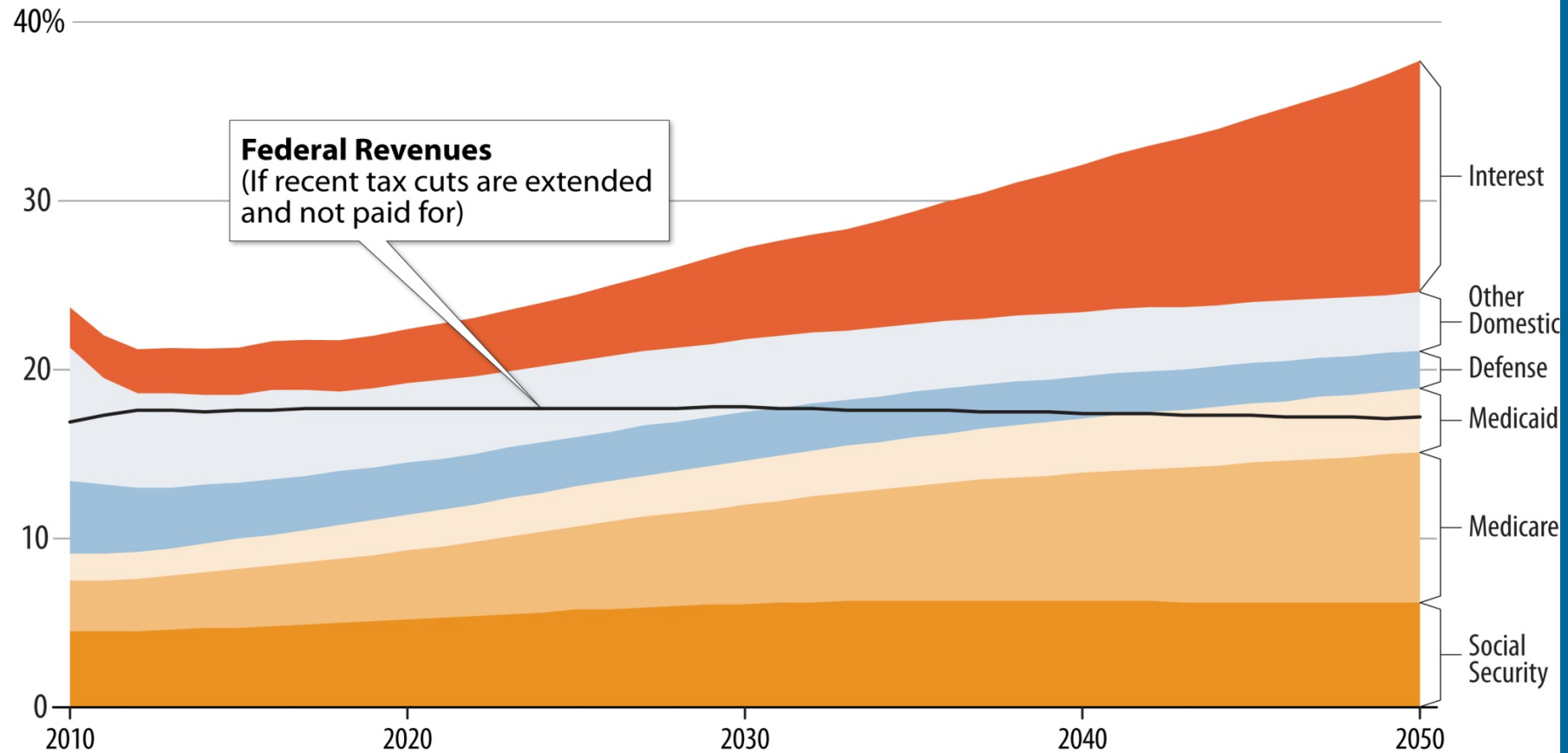
- Main sources of revenue changed have changed.
- Revenues down as a % of economy since late 1990s.

The Budget For Fiscal Year 2010, Historical Tables, Table 2.3

<http://www.whitehouse.gov/omb/budget/Historicals/>

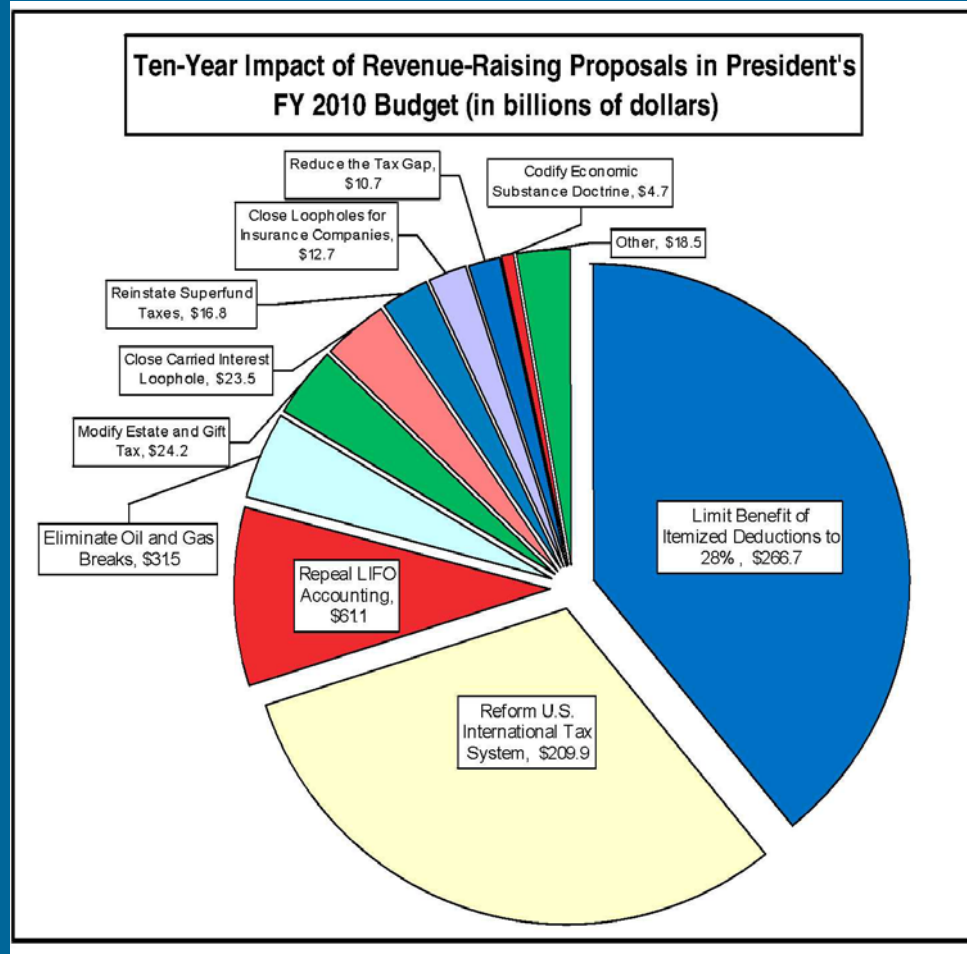
Revenues Highly Inadequate, Interest Costs Massive Under Continuation of Current Policies

Program Spending as a Share of GDP



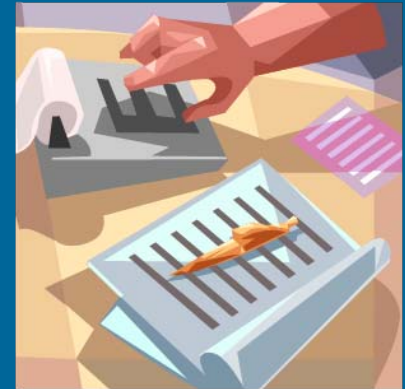
CBPP projections based on Congressional Budget Office data and CBPP assumptions about the impact of the recession on the federal budget.

President Obama's Proposals for Raising Revenues and Improving Tax Fairness



Limit Benefit of Itemized Deductions for the Wealthiest

- How deductions work:
 - Taxpayers can subtract certain expenses from taxable income, eg:
 - home mortgage interest
 - charitable contributions
 - state and local taxes
 - The higher a taxpayer's income and tax bracket, the more deductions are worth.
 - 35% bracket, \$1,000 charitable contribution = \$350 tax saving.
 - 15% bracket, \$1,000 charitable contribution = \$150 tax saving.



Limit Benefit of Itemized Deductions for the Wealthiest

- **Obama Proposal:** Limit the value of itemized deductions to 28%.
 - Reduces the advantage for the wealthy.
 - Affects less than 1.2% of households (income over \$200,000 individual/\$250,000 couple).
 - Little impact on charitable giving (drop of 1.3% to 2%), housing, or small business.
 - Revenue: ***\$267 billion over 10 years.***

Reform International Taxation

- Why Reform Is Needed:
 - The tax code provides incentives for companies to shift jobs and profits overseas.
 - In 2004, U.S. multinationals paid U.S. taxes at a rate of 2.3% on earnings from foreign operations.
 - Of the 100 largest corporations, 83 have subsidiaries in tax havens.
 - Wealthy Americans can illegally hide their income in tax havens and evade taxes they owe.
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Reform International Taxation

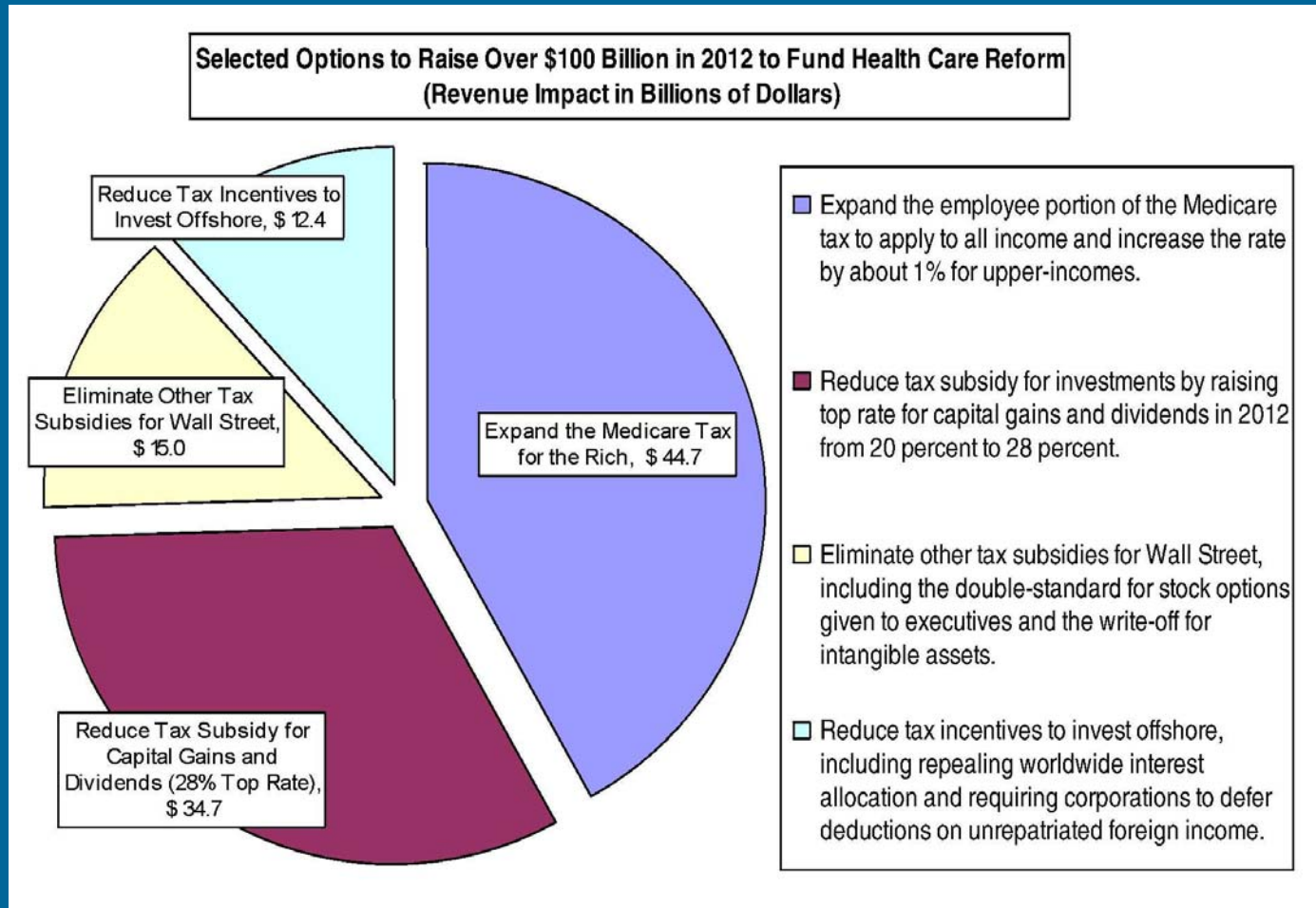
- **Obama Proposals (examples):**
 - Reduce tax incentives to move jobs and profits offshore and curb offshore tax havens
 - Disallow deductions against foreign income until tax is paid on that income.
 - Prevent companies from artificially inflating foreign tax credits.
 - Eliminate rules that allow multinationals to make foreign subsidiaries “disappear” for tax purposes
 - Crack down on secret accounts in tax havens.
 - Revenue: ***\$210 billion over 10 years***

Close Other Tax Loopholes and Improve Tax Enforcement

■ **Obama Proposals (examples)**

- Tax compensation of hedge fund managers as ordinary income, not capital gains.
 - Eliminate some tax breaks for oil and gas.
 - Repeal last in-first out accounting.
 - Close estate and gift tax loopholes.
 - Expand reporting requirements and strengthen enforcement.
 - Revenue: ***\$203.7 billion over 10 years.***
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Other Ways to Raise Revenues and Increase Tax Fairness



Impose the Medicare Tax on All Income, Not Just Income from Work

■ The way it works

now:

- The Medicare payroll tax is imposed only on earnings (1.45% on workers, 1.45% on employers).
- Income from investments is not subject to payroll taxes



Impose the Medicare Tax on All Income, Not Just Income from Work

■ **Proposal:**

- Apply the individual 1.45% Medicare tax to all income.
- Impose an additional 1.05% tax on income above \$200,000 for an individual, \$250,000 for a couple.
- For people 65 and older, exclude the first \$50,000 of income for an individual, \$100,000 for a couple (unless already taxed as earnings).
- Revenue: ***\$44.7 billion in 2012 (one year).***

Reduce or Eliminate the Tax Preference for Investment Income over Earnings

- The way it works now:
 - Capital gains and dividends are taxed at maximum rate of 15%.
 - Income from work is taxed at rates up to 35% and is subject to payroll taxes.
 - The tax preference for investment income means:
 - Lower tax rates for the very wealthy (who own most of the assets) than average workers.
 - Incentives to disguise ordinary income as capital gains.
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Reduce or Eliminate the Tax Preference for Investment Income over Earnings

■ **Proposal:**

- Reduce differential by raising top tax rate for capital gains and dividends to 28%.
 - 28% = tax rate on capital gains and dividends under President Reagan.
 - Revenue: ***\$34.7 billion in 2012 (one year).***
- Eliminate the tax preference.
 - 1986 Tax Reform Act, signed by Pres. Reagan, taxed earnings, dividends, and capital gains at the same rate.
 - Revenue: ***c. \$80 billion (one year)***

Impose a Tax on Financial Transactions

- The United Kingdom and other countries tax stock transfers today. U.S. taxed stock issues and trades from 1914-1964.
- **Proposal:**
 - Impose a small tax (0.5% or less, depending on the type of security traded) on the transfer of stock and other financial assets.
 - Could discourage speculation as well as raise revenue.
 - Revenue: ***\$60 to \$100 billion per year.***

These are only some of the reform options!

We can afford the investments we need!



**But those who have the greatest ability to pay
have to start paying their fair share!**
