

Raising taxes on the ultrarich

A necessary first step to restore faith in American democracy and the public sector

Report • By [Josh Bivens](#) • November 17, 2025

Summary:

The public has supported raising taxes on the ultrarich and corporations for years, but policymakers have not responded. Small increases in taxes on the rich that were instituted during times of Democratic control of Congress and the White House have been consistently swamped by larger tax cuts passed during times of Republican control. This was most recently reflected in the massive budget reconciliation bill pushed through Congress exclusively by Republicans and signed by President Trump. This bill extended the large tax cuts first passed by Trump in 2017 alongside huge new cuts in public spending. This one-step-forward, two-steps-back dynamic has led to large shortfalls of federal revenue relative to both existing and needed public spending.

Raising taxes on the ultrarich and corporations is necessary for both economic and political reasons. Economically, preserving and expanding needed social insurance and public investments will require more revenue. Politically, targeting the ultrarich and corporations as sources of the first tranche of this needed new revenue can restore faith in the broader public that policymakers can force the rich and powerful to make a fair contribution. Once the public has more faith in the overall fairness of the tax system, future debates about taxes can happen on much more constructive ground.

Policymakers should adopt the following measures:

- Tax wealth (or the income derived from wealth) at rates closer to those applied to labor earnings. One way to do this is to impose a wealth tax on the 0.1% of wealthy households.
 - Restore effective taxation of large wealth dynasties. One way to do this would be to convert the estate tax to a progressive inheritance tax.
 - Impose a high-income surtax on millionaires.
 - Raise the top marginal income tax rate back to pre-2017 levels.
 - Close tax loopholes for the ultrarich and corporations.
-

SECTIONS

1. Introduction • 2
 2. Targeting the ultrarich • 3
 3. Closing tax loopholes that the ultrarich and corporations use • 8
 4. How much could a campaign of confidence-building measures to tax the ultrarich raise? • 13
 5. Conclusion • 16
-

Notes • 17

References • 19

Introduction

The debate over taxation in the U.S. is in an unhealthy state. The public is deeply distrustful of policymakers and doesn't believe that they will ever put typical families' interests over those of the rich and powerful. In tax policy debates, this means that people are often highly skeptical of any proposed tax increases, even when they are told it will affect only (or, at least, overwhelmingly) the very rich. People are also so hungry to see *any* benefit at all, no matter how small, that they are often willing to allow huge tax cuts for the ultrarich in tax cut packages if those packages include any benefit to them as well. The result has been a continued downward ratchet of tax rates across the income distribution.¹ This is a terrible political dynamic for U.S. economic policy, given the pressing national needs for more revenue.

As countries get richer and older, the need for a larger public sector naturally grows.² Yet the share of national income collected in taxes by the U.S. government has stagnated since the late 1970s. This has left both revenue and public spending in the United States at levels far below those of advanced country peers.³ This stifling of resources available for the public sector is not only inefficient but has led to frustration over its inability to perform basic functions. The political root of this suppression of resources for the public sector is a series of successful Republican pushes to lower tax rates for the richest households and corporations. This attempt to use tax policy to increase inequality has amplified other policy efforts that have increased inequality in pre-tax incomes, leading to suppressed growth in incomes and declining living standards for low- and middle-income households and a degraded public sector.⁴

In recent decades the dominant strategy for many on the center-left to combat the public's tax skepticism is to pair tax increases with spending increases for programs that lawmakers hope will be popular enough to justify the taxes. This strategy has worked in the sense that some tax increases have been passed in the same legislation that paid for valuable expansions of income support, social insurance, and public investment programs in recent years. But this strategy has not stopped the damaging political dynamic leading to the sustained downward ratchet of tax revenue and the tax rates granted to the ultrarich and corporations.⁵

Part of the problem with a strategy of trying to attach tax increases to allegedly more popular spending increases is that it takes time for spending programs to *become* popular. The Affordable Care Act (ACA), for example, was not particularly popular in the year of its passage but has survived numerous efforts to dislodge it and has seemingly become more popular over time. Conversely, the expanded Child Tax Credit (CTC) that was in effect in 2021 and cut child poverty in half only lasted a single year, so there was little organic public pressure on Congress to ensure it continued.

In this report, we suggest another strategy for policymakers looking to build confidence in the broader public that tax policy can be made fairer: Target stand-alone tax increases unambiguously focused on ultrarich households and corporations as the first priority of

fiscal policy. The revenue raised from this set of confidence-building measures can be explicitly aimed at closing the nation’s fiscal gap (the combination of tax increases or spending cuts needed to stabilize the ratio of public debt to national income).⁶ Once this gap has been closed with *just* highly progressive taxes, the public debate about the taxes needed to support valuable public investments and welfare state expansions should be on much more fruitful ground.

This approach takes seriously the work of scholars like Williamson (2017), who argue that the U.S. public is not rigidly “anti-tax.” Indeed, this public often views taxpaying as a civic responsibility and moral virtue. Yet they have become convinced that too many of their fellow citizens are not making a fair and adequate contribution. Part of this perception rests on underestimating the taxes paid by the poor and working people, but a good part of this perception also rests on the accurate impression that many rich households and corporations are not paying their fair share. Policy can change this latter perception, particularly if the policy is explicitly identified with ensuring that the rich and corporations—and *only* the rich and corporations—will see their taxes increase.

The rest of this report describes a number of tax policy changes that would raise revenue from the rich and corporations with extremely small (often zero) spillover into higher taxes for anybody else. It also provides rough revenue estimates of how much each could raise. It is not exhaustive, but it demonstrates that the nation’s current fiscal gap could certainly be closed with only taxes on the very rich. Making this policy agenda and target explicit could go a long way to restoring trust and improving the quality of the debate about taxes.

Targeting the ultrarich

The vast majority (often 100%) of the tax policy changes discussed below would only affect the taxes paid by the top 1% or above (those making well over \$563,000 in adjusted gross income in 2024). Many of the taxes—and the vast majority of the revenue raised—will actually come from households earning well above this amount. We will be more specific about the incidence of each tax in the detailed descriptions below. The tax policy changes fall into two categories: increasing the tax rates the rich and ultrarich pay and closing the tax loopholes they disproportionately benefit from. We first present the tax rate changes, and we list them in declining order of progressivity.

Both the rate changes and the loophole closers disproportionately focus on income derived from wealth. By far the biggest reason why rich households’ tax contributions are smaller than many Americans think is appropriate has to do with rich households’ source of income. So much of these households’ income derives from wealth, and the U.S. federal tax system taxes income derived from wealth more lightly than income derived from work. If policymakers are unwilling to raise taxes on income derived from wealth, the tax system can never be made as fair as it needs to be.

Levying a wealth tax on the top 0.1% or above of wealthy households

The WhyNot Initiative (WNI) on behalf of Tax the Greedy Billionaires (TGB) has proposed a wealth tax of 5% on wealth over \$50 million, with rates rising smoothly until they hit 10% at \$250 million in wealth and then plateauing. With this much wealth, even a household making just a 1% return on their wealth holdings would receive an income that would put them in the top 1% of the income distribution. A more realistic rate of return (say, closer to 7%) would have them in the top 0.1% of income.

The \$50 million threshold roughly hits at the top 0.1% of net worth among U.S. families, so this tax is, by construction, extremely progressive—only those universally acknowledged as extremely wealthy would pay a penny in additional tax. The WNI proposal also imposes a steep exit tax, should anybody subject to the tax attempt to renounce their U.S. citizenship to avoid paying it.

The Tax Policy Center (TPC) has estimated that the WNI wealth tax could raise \$6.8 trillion in additional net revenue over the next decade, an average of \$680 billion annually. In their estimate, the TPC has accounted for evasion attempts and the “externality” of reduced taxes likely to be collected on income flows stemming from wealth holdings. Despite accounting for these considerations, the \$6.8 trillion in revenue over the next decade could completely close the nation’s current estimated fiscal gap.

A key consideration in the long-run sustainability of revenue collected through a wealth tax is how quickly the tax itself leads to a decline in wealth for those above the thresholds of the tax. If, for example, the tax rate itself exceeded the gross rate of return to wealth, wealth stocks above the thresholds set by the tax would begin shrinking, and there would be less wealth to tax over time. The Tax Policy Center’s estimate includes a simulation of this decumulation process, assuming an 8.5% rate of return.⁷ It finds only very slow rates of decumulation.

Other simulation results (like those in Saez and Zucman 2019b) find faster decumulation for wealth taxes as high as this, but even their findings would still support the significant revenue potential of a wealth tax targeted at sustainability. Whereas the WNI wealth tax raises roughly 2.2% of GDP over the next 10 years, the Saez and Zucman (2019a) results highlight that over half this much could essentially be raised in perpetuity.⁸

It is important to note that even if revenue raised from any given wealth tax came in lower than expected due to the decumulation of wealth, this decumulation is itself highly socially desirable. The wealth would not be extinguished. It would instead accumulate to other households throughout society. An analogy is carbon taxes targeted at lowering greenhouse gas emissions. If a carbon tax were implemented and the revenue it raised steadily fell over time, this would be a sign of success, as the primary virtue of such a tax is not the long-run revenue it can raise but the behavioral changes it can spur, such as switching to less carbon-intensive forms of energy generation and use.

The benefits from wealth decumulation could be profound. For one, much of the rise in wealth in recent decades has been the result of a zero-sum transfer of income claims away from workers and toward capital owners (Greenwald, Lettau, and Ludvigson 2025). To the degree that higher wealth taxes make these zero-sum transfers less desirable for privileged economic actors, the imperative to keep wages suppressed and profits higher will be sapped, leading to a broader distribution of the gains of economic growth.

Further, highly concentrated wealth leads naturally to highly concentrated political power, eroding the ability of typical families to have their voices heard in important political debates (Page, Bartels, and Seawright 2013). Studies show that popular support for democratic forms of government is weaker in more unequal societies, demonstrating that a greater concentration of wealth can lead to the erosion of democracy (Rau and Stokes 2024).

Converting the estate tax to a progressive inheritance tax

The estate tax in the United States currently only applies to estates of more than \$11.4 million. At the end of 2025 it would have reverted to pre-2017 levels of roughly \$7 million, but the Republican budget reconciliation bill passed in 2025 will raise it to a level more than twice as high starting in 2026—at \$15 million. The 40% estate tax rate applies on values above these thresholds.

The estate tax threshold has been increased significantly since 2000, with changes in 2001, 2012, 2017, and 2025 all providing large increases. In 2000 the threshold for exemption was under \$1 million, and the rate was 55%. If the 2000 threshold were simply updated for inflation, it would have been \$1.3 million today, instead of \$11.4 million. At this \$1.3 million threshold and with a 55% rate, the estate tax would raise roughly \$75 billion more in revenue this year than it is currently projected to.⁹ In short, our commitment to taxing wealthy estates and their heirs has eroded substantially in recent decades.

Batchelder (2020) proposes a new tax on inheritances that would replace the estate tax. Batchelder's inheritance tax would not fall on the total value of the estate, but simply the portion of it inherited by individual heirs. Her proposal is to tax inheritances of various thresholds as ordinary income. Because the tax would be triggered by the lifetime level of gifts and inheritances, it cannot be avoided just by using estate planning to time these bequests and gifts. For a threshold of \$1 million, the tax would raise roughly 0.35% of gross domestic product annually, or roughly \$1 trillion over the next decade.

An inheritance tax is naturally more progressive than an estate tax. To see why, imagine an estate of \$5 million that faced 2000-era estate tax rules. An estate tax would lower the value of the inheritance to all heirs by an amount proportional to the tax. Conversely, under an inheritance tax, the effective rate of the tax felt by heirs would be significantly different if the estate was spread among 10 heirs (each receiving \$500,000 and, hence, not even being subject to the Batchelder inheritance tax that starts at \$1 million) versus being spread among two heirs (each receiving \$2.5 million and paying an inheritance tax).

Fewer heirs for a given estate value imply a larger inheritance and, hence, a higher inheritance tax (if the inheritance exceeds the tax's threshold).

Imposing a high-income surtax on millionaires

Probably the most straightforward way to tightly target a tax on a small slice of the richest taxpayers is to impose a high-income surtax. A surtax is simply an across-the-board levy on all types of income (ordinary income, business income, dividends, and capital gains) above a certain threshold. As such, there is zero possibility that lower-income taxpayers could inadvertently face any additional tax obligation because of it.

A version of such a high-income surtax was actually a key proposed financing source for early legislative versions of the Affordable Care Act. The bill that passed the House of Representatives included such a surtax.¹⁰ This surtax was replaced with other revenue sources during the reconciliation process between the House and Senate versions.

One proposal is to enact a 10% surtax on incomes over \$1 million. This would affect well under 1% of households (closer to 0.5%). Using data from the Statistics of Income (SOI) of the Internal Revenue Service (IRS), we find that roughly \$1.55 trillion in adjusted gross income sat over this \$1 million threshold among U.S. households in 2019.¹¹ A purely static estimate with no behavioral effects, hence, would argue that \$155 billion annually (10% of this \$1.55 trillion) could be raised from this surcharge. In tax scoring models (like that of the Tax Policy Center or the Joint Committee on Taxation), behavioral effects tend to reduce estimates roughly 25% below such static estimates. Applying such a discount would still suggest that the revenue potential of a high-income surtax with a \$1 million threshold could be \$1.5 trillion over the next decade.

Raising the top marginal income tax rate back to pre-TCJA levels

During the Clinton and Obama administrations, the top marginal tax rate on ordinary income was increased to 39.6%. During the George W. Bush and the first Donald Trump administrations, it was reduced and currently sits at 37%. This lower marginal top rate would have expired at the end of 2025, but the Republican budget reconciliation bill, passed by Congress and signed by Trump in July 2025, ensured that it would stay at 37%.

In 2025 the bracket that this top tax rate applies to will begin at \$626,350 for single filers and joint filers. This is well under 1% of taxpayers. If the bracket for top tax rates was dropped to \$400,000 and the rate was raised to 39.6%, the Tax Policy Center has estimated that this could raise roughly \$360 billion over the next decade. Earlier in 2025, there were reports that Republicans in Congress were thinking about letting the top tax rate revert to the level it was at before the 2017 Tax Cuts and Jobs Act (TCJA). This was touted as members of Congress breaking with their party's orthodoxy and actually taxing the rich. On the contrary, the new top marginal tax rate now applies to joint filers at an even *lower* level than pre-TCJA rates.

As can be seen in **Table 1**, pushing the top marginal rate on ordinary income to pre-TCJA levels is one of the weakest tools we have for raising revenue from the rich. The reason is simple. A large majority of the income of the rich is not ordinary income; it is income derived from capital and wealth, and, hence, only changing the tax rate on ordinary income leaves this dominant income form of the rich untouched.

Corporate tax rate increases

In 2017 the TCJA lowered the top rate in the corporate income tax from 35% to 21%, and the 2025 Republican budget reconciliation bill extended that lower 21% rate. The 35% statutory rate that existed pre-TCJA was far higher than the *effective* rate actually paid by corporations. Significant loopholes in the corporate tax code allowed even highly profitable companies to pay far less than the 35% statutory rate.

But at the same time the TCJA lowered the statutory rate, it did little to reduce loopholes—the gap between effective and statutory rates after the TCJA's passage remains very large.¹² Clausing and Sarin (2023) have estimated that each 1 percentage point increase in the top statutory tax rate faced by corporations raises over \$15 billion in the first years of the 10-year budget window. Raising today's 21% top rate back to the 35% rate that prevailed before the TCJA would, hence, raise roughly \$2.6 trillion over the next decade.

The immediate legal incidence of corporate taxes falls on corporations, the legal entities responsible for paying the taxes. However, the *economic* incidence is subject to more debate. The current majority opinion of tax policy experts and official scorekeepers like the Joint Tax Committee (JTC) is that owners of corporations (who skew toward the very wealthy) bear most of the burden of corporate tax changes.¹³ But some small share of the corporate tax rate's incidence is often assigned to workers' wages, as there are some (speculative) reasons to think a higher corporate tax rate leads in the long run to lower wage income. The economic reasoning is that if the higher corporate tax rates lead to less economywide investment in tangible structures, equipment, and intellectual property, then this could slow economywide productivity growth. This slower productivity growth could, in turn, reduce wage growth for workers.

However, newer research highlights that there are good reasons to think that corporate tax rate increases have zero—or even positive—effects on private investment in structures, equipment, and intellectual property. Brun, Gonzalez, and Montecino (2025, forthcoming) argue that once one accounts for market power (either in product or labor markets) of corporations, corporate taxes fall, in part, on nonreproducible monopoly rents. To provide an example, a large share of Amazon's profits is not just due to the size of the firm's capital stock but its considerable monopoly power in many business segments. This market power allows them to charge higher prices than they could in competitive markets, and these excess prices represent a pure zero-sum transfer from consumers, not a normal return to investment.

Increasing taxes on these monopoly rents can reduce stock market valuations of firms and

actually lower the hurdle rate for potential competitors assessing whether to make investments in productivity-enhancing capital. This can actually boost investment and productivity economywide, and if investment and productivity rise (or just do not fall) in response to corporate tax increases, this implies that none of the economic incidence of a corporate tax increase falls on anybody but the owners of corporations.

In short, despite some mild controversy, it seems very safe to assume that increases in the corporate income tax rate both are and would be perceived by the public as extremely progressive.

Closing tax loopholes that the ultrarich and corporations use

As noted above, it's not just falling tax rates that have led to revenue stagnation in recent decades. There has also been an erosion of tax bases. Growing loopholes and increasingly aggressive tax evasion strategies have put more and more income out of the reach of revenue collectors. It goes almost without saying that the vast majority of revenue escaping through these loopholes and aggressive tax evasion strategies constitutes the income of the very rich and corporations.

These types of loopholes are unavailable to typical working families because their incomes are reported to the Internal Revenue Service. Typical working families rely on wage income, which is reported to the penny to the IRS, and families pay their legally obligated tax amount. Income forms earned by the ultrarich, however, often have very spotty IRS reporting requirements, and this aids in the evasion and reclassification of income flows to ensure the ultrarich are taxed at the lowest rates.¹⁴ Shoring up tax bases by closing loopholes and engaging in more robust enforcement are key priorities for ensuring the very rich pay a fair and substantial contribution to the nation's revenue needs.

Closing loopholes that allow wealth gains and transfers between generations to escape taxation

The wealthy use a number of strategies to escape taxation of the income they generate and to allow assets to be transferred to their heirs. Below we discuss three such strategies and provide a score for a consolidated package of reforms aimed at stopping this class of tax strategies—\$340 billion over the next decade.

Ending the step-up in basis upon death or transfer of assets

This is best explained with an example. Say that somebody bought shares of a corporation's stock in the early 1980s for \$1 per share. They held onto it for decades until it reached \$501 per share. Since they never realized this capital gain by selling the stock, they were never taxed on their growing wealth. Now, say that they transferred these stock holdings to their children decades later. Because it is no longer the original buyer's property, it would not be assessed as part of an estate subject to the estate tax. If their children subsequently sold the stock, current law would allow a step-up in basis, which means the capital gain they earned from selling the stock would only be taxed on the gain over and above the \$501 per share price that prevailed *when they received the stock*, not the original \$1 per share price.

So, if children sold their stock gift for \$501 per share, they would owe zero tax. And for the family as a whole, the entire (enormous) capital gain that occurred when the share appreciated from \$1 to \$501 is *never* taxed. This allows huge amounts of wealth to be passed down through families without the dynasty's ever paying appropriate taxes, either capital gains taxes or estate taxes.

An obvious solution to this problem is simply to not grant the step-up in basis when the asset is transferred. That is, when the children receive the stock in the example above, any subsequent sale should be taxed on any capital gain calculated from the \$1 originally paid for the stock. In the case above, the children would have had to pay a capital gains tax on the full value between \$1 and \$501 if they had sold the stock for \$501.

Besides raising money directly through larger capital gains values, ending the step-up in basis can also cut down on many tax engineering strategies that wealthy families undertake to avoid taxation. Estimates for the revenue that could be raised by enacting this change are quite varied, but they tend to sit between \$15 billion and \$60 billion in 2025.¹⁵ We estimate this would raise \$190 billion over the next decade.

An alternative solution getting at the same problem would be to make the death of a wealth holder a realizable event. Essentially, for the purposes of taxation, it would be assumed that all assets were sold by a wealth holder upon their death, and the appropriate rate of capital gains taxation would then be collected.

Making borrowing a realizable event

A related reform would make the pledging of any asset as collateral against a loan a realizable event. In the example above, as the original holder of the stock held the shares and did not sell them over a long period of time, this raises an obvious question of how this family is financing their current consumption without liquidating any wealth. They could, of course, be earning labor income. But the very wealthy often finance current consumption by taking out loans and using the value of their wealth as collateral. So long as the interest rates on the loans are lower than the rate of return on the wealth being

pledged as collateral, they can enjoy high and rising consumption and still see considerable wealth appreciation. This is a particularly useful strategy during periods of low interest rates (like most of the past 25 years) and for owners of newer corporations that are growing rapidly (think Jeff Bezos and Amazon during the 2000s). This use of debt as a strategy of avoiding capital gains realization has often been called the “Buy, Borrow, Die” strategy.

An obvious reform to stop this would be to force wealth holders to treat pledging an asset as collateral as a realization event for this asset. When the wealth holder goes to financiers to get loans and pledges their shares as collateral, the wealth holder would pay a capital gains tax on the difference in the value of the stock between when they originally bought it and the value the day it is pledged for collateral. The amount of revenue this would raise would be small in the grand scheme of the federal budget, roughly \$60 billion over the next decade. But it would provide one more block to a common tax evasion strategy for the ultrarich, and this could show up in more revenue collected through other taxes.

Closing loopholes that erode estate or inheritance tax bases

Hemel and Lord (2021) identify estate planning mechanisms that reduce the base of the current estates taxes, including the abuse of grantor retained annuity trusts (GRATs) and excessively preferential tax treatment of transfers within family-controlled entities. Under current law, wealthy individuals establishing a trust for their descendants may calculate the taxable gift amount of the trust by subtracting the value of any qualified interest. This qualified interest includes any term annuity retained by the grantor of the trust. The annuity is based on market interest rates prevailing when the trust was established. When interest rates are low, this becomes an extremely valuable deduction.

Hemel and Lord (2021) give the example of a grantor establishing a \$100 billion trust but retaining a two-year annuity payment of \$50.9 million based on the 1.2% interest rate prevailing in 2021. This taxpayer would be able to subtract this annuity from their taxable gift calculation, effectively paying no gift tax. If the assets in the trust grew faster than 1.2%, then the trust would have assets left over after two years, and these could be passed to the beneficiaries free of any transfer tax (as these assets came from the trust, not the original grantor). If assets in the trust grew more slowly than this amount, then the trust would be unable to make its full final annuity payment and would be declared a failed trust and would trigger no estate or gift tax consequences. In this case, the original grantor could simply try again to construct a short-term irrevocable trust that would succeed in transferring income to heirs without triggering a gift tax.

Hemel and Lord (2021) recommend repealing the law that allows for this deduction of qualified interest from gift or transfer taxes applying to GRATs. They also argue for reducing the preferential treatment of transfers within family-controlled entities. The full package of reforms to estate planning that they recommend would raise \$90 billion over the next decade.

Closing the loophole from ambiguity between self-employment and net investment income

As part of the Affordable Care Act, a 3.8% tax was assessed on income above \$200,000 (for single filers and \$250,000 for joint filers). If this income is earned as wages or self-employment income, this tax is paid through the Federal Insurance Contributions Act (FICA) or the Self-Employment Contributions Act (SECA) taxes. If the income is received as a dividend or interest payment or royalty or other form of investment income, the tax is paid as a Net Investment Income Tax (NIIT). The clear intent is for income of all forms to be assessed this tax.

Somehow, however, some business owners (mostly those owning limited partnerships and S corporations—corporations with a limited number of shareholders who are required to pass through all profits immediately to owners) have managed to classify their income as not subject to FICA, SECA, or the NIIT.¹⁶ A number of policy options could close this unintended gap and raise nontrivial amounts of revenue—roughly \$25 billion in 2025. Importantly, the revenue collected by this loophole closing would go directly to the Medicare trust fund.

International corporate tax reform

Before the TCJA, the biggest loophole by far in the corporate income tax code was U.S. corporations' ability to defer taxes paid on profits earned outside the United States. In theory, once these profits were repatriated, taxes would be levied on them. However, financial engineering meant that there was little need to repatriate these profits for reasons of undertaking investment or stock buybacks or anything else corporations wanted to do.¹⁷ Further, corporations routinely lobbied for repatriation holidays, periods of time when they were allowed to repatriate profits at a reduced rate. One such holiday was passed by Congress and signed into law by George W. Bush in 2004.

Between 2004 and 2017, pressure for another such holiday ramped up as more and more firms deferred corporate taxes by holding profits offshore. The TCJA not only provided such a holiday for past profits kept offshore, it also made profits booked overseas mostly exempt from U.S. corporate taxes going forward. In essence, the TCJA turned deferral into an exemption.

This TCJA exemption of foreign-booked profits was subject to small bits of tax base protection. But they have been largely ineffective. The 2025 budget reconciliation bill would further exacerbate these problems, reducing taxes on foreign income even more.

Clausing and Sarin (2023) recommend a suite of corporate reforms that aims to level the playing field between firms booking profits in the United States versus overseas. Key among them would be to reform the Global Intangible Low-Taxed Income (GILTI) tax rate, a rate introduced in the TCJA, to ensure that financial engineering would not allow large amounts of corporate income earned by U.S.-based multinationals to appear as if they were earned in tax havens.¹⁸

The GILTI is essentially a global minimum tax rate for U.S. multinationals. But the rate (10.5% in 2024 and 12.6% in 2025) is far too low to effectively stop this kind of tax haven-shopping for corporations, much lower than the 15% minimum rate negotiated by the OECD and agreed to by the Biden administration in 2022.

In addition, multinationals are currently allowed to blend all their foreign tax obligations globally and take credits for foreign corporate income taxes paid. So, taxes paid on a company's actual manufacturing plant in, say, Canada, can count toward the GILTI contribution of a multinational, even if they then used financial engineering to shift most of their paper profits to tax havens like the Cayman Islands.

Raising the GILTI rate and applying it on a country-by-country basis would go a long way to preserving the base of the U.S. corporate income tax in the face of tax havens. The Clausing and Sarin (2023) suite of reforms would raise \$42 billion in 2025.

Building up IRS enforcement capabilities and mandates

In 2022, the IRS estimated that the tax gap (the dollar value of taxes legally owed but not paid in that year) exceeded \$600 billion. The richest households account for the large majority of this gap. The IRS in recent decades has lacked both the resources and the political support to properly enforce the nation's tax laws and collect the revenue the richest households owe the country.

Due to this lack of resources and mandates, the IRS instead often took the perverse approach of leveraging enforcement against easy cases—easy both in terms of not taking much capacity and of not generating intense congressional backlash.¹⁹ In practice, this meant intensively auditing recipients of refundable tax credits to look for improper payments. Tax credits are refundable when the amount of a credit (say, the Child Tax Credit) is larger than the taxpayer's entire income tax liability. In this case, the credit does not just reduce income tax liability; it will also result in an outright payment (hence, refundable) to the taxpayer claiming it. Recipients of these refundable tax credits are, *by definition*, low-income taxpayers—those with low income tax liability. Besides making the lives of these low-income households more anxious, these audits also just failed to generate much revenue—again, because the group being audited was generally low income and didn't owe significant taxes in the first place.

The Biden administration included significant new money to boost IRS enforcement capacity as part of the 2022 Inflation Reduction Act (IRA). This extra enforcement capacity was paired with new mandates to reduce the tax gap by increasing enforcement efforts on rich taxpayers.

However, the IRA additions to IRS resources were already being chiseled away before the 2024 presidential election. The Trump administration clearly has no interest in whether or not the IRS consistently enforces revenue collection from the rich. The budget reconciliation bill that Republicans passed through Congress in July rolled back the

expanded funding for IRS enforcement. Trump's proposed fiscal year 2026 budget for IRS funding would chip away at that even further.

The IRS has also not been immune to the Trump administration's attempt to make life miserable for federal employees. The agency has lost a quarter of its workforce since 2025 to layoffs, the deferred resignation offer pushed by Elon Musk's so-called Department of Government Efficiency, early retirements, and other separations (TIGTA 2025).

The sharp turn away from the Biden administration's support of the IRS represents a missed opportunity. While it would be near impossible to fully close the tax gap, Sarin and Summers (2019) estimate that some modest and doable steps could reliably collect significantly over \$100 billion per year over the next decade from increased enforcement efforts.

How much could a campaign of confidence-building measures to tax the ultrarich raise?

These measures to enact a series of tax reforms laser-targeted at only the rich could raise significant revenue. One obvious benchmark suggests itself: the current fiscal gap. The fiscal gap is how much (as a share of GDP) taxes would need to be raised or spending would need to be cut to stabilize the ratio of public debt to GDP. Today this gap stands at roughly 2.2%.

Table 1 gives a rough score for each of the provisions mentioned above. It then conservatively estimates the combined revenue-raising potential of this package. It assumes that the whole policy package is equal to 70% of the sum of its parts. This would help account for some fiscal "externalities" (i.e., taxing wealth means wealth grows more slowly over time and, hence, reduces tax collections on income earned from wealth going forward). It also would help account for some potentially duplicative effects that could reduce some revenue collected by the combination of these reforms. For example, if the step-up in basis were eliminated, the incentive for rich households to finance consumption with loans would be reduced, so the revenue generated by treating the pledging of collateral as a realizable event would likely be reduced.

Table 1

Potential revenue from taxes on the rich

	Potential revenue, 2024\$, billions										Total
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
WNI wealth tax proposal	566	730	697	652	597	614	658	706	756	807	6,782
Corporate rate to 35%	218	227	235	244	254	263	273	284	295	306	2,600
Progressive inheritance tax	91	95	99	102	106	110	114	119	123	128	1,088
High-income surtax (10% over \$1 million)	122	127	132	137	143	149	154	161	167	173	1,464
Restoration of top marginal rates to pre-Trump level	30	32	33	34	35	37	38	40	41	43	363
Closure of nonrealization loopholes	29	30	31	32	33	35	36	37	39	40	341
Closure of gap in NIIT and SECA tax bases	25	26	27	28	29	30	32	33	34	35	300
International corporate tax reforms	42	44	45	47	49	51	53	55	57	59	500
Investments in IRS enforcement	118	123	128	133	139	144	150	156	162	168	1,423
Total	1,241	1,433	1,427	1,410	1,385	1,433	1,509	1,589	1,674	1,760	14,861
Total, 30% discount	869	1,003	999	987	969	1,003	1,056	1,112	1,171	1,232	10,403
GDP	30,441	31,641	32,841	34,078	35,378	36,739	38,151	39,627	41,154	42,728	362,778
	Potential revenue, % of GDP										Average
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
WNI wealth tax proposal	1.9%	2.3%	2.1%	1.9%	1.7%	1.7%	1.7%	1.8%	1.8%	1.9%	1.9%
Corporate rate to 35%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Progressive inheritance tax	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%

Table 1 (cont.)

	Potential revenue, 2024\$, billions										Total
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
High-income surcharge (10% over \$1 million)	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Restoration of top marginal rates to pre-Trump level	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
End of step-up in basis on gifts/bequests/collateralization	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Closure of gap in NIIT and SECA tax bases	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
International corporate tax reforms	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Investments in IRS enforcement	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Total	4.1%	4.5%	4.3%	4.1%	3.9%	3.9%	4.0%	4.0%	4.1%	4.1%	4.1%
Total, 30% discount	2.9%	3.2%	3.0%	2.9%	2.7%	2.7%	2.8%	2.8%	2.8%	2.9%	2.9%

Economic Policy Institute

Note: Sources and analysis as described in text.

This combination of confidence-building measures to tax the rich would unambiguously be able to close the nation's current fiscal gap. The sum of the parts of this agenda would raise roughly 4% of GDP over the long run, and even if the sharp 30% discount on the sum of these parts was applied, it is still just under 3% of GDP. Telling the American public that this package of tax increases on the ultrarich had put the nation on a fully sustainable long-run trajectory while still leaving enough money to fund something as large as universal pre-K for 3- and 4-year-olds or a radical increase in more generous coverage in the nation's unemployment insurance system could be seismic for changing the tax debate in the United States.

For those like us who advocate for even larger expansions of the U.S. system of income support, social insurance, and public investment, the future political debate over how to finance them would be on much more favorable ground with the public's support. The conditions of the debate would change if the public could shake the (too often true) impression that the U.S. government is failing to ask the ultrarich and corporations to do their part to contribute to the nation's fiscal needs.

Conclusion

Obviously, this program of laser-targeting tax increases on the ultrarich is not the policy of the current Trump administration or the Republican majority in Congress. They have already spent the first half of 2025 forcing through a monster of a reconciliation bill, which extended the expiring provisions of the TCJA, provisions that provide disproportionate benefits to the very rich. The reconciliation bill represents a shocking upward redistribution of income from the very poor to the very rich, paying for trillions of dollars in tax cuts that primarily benefit the wealthy by stripping health care and food assistance from millions of Americans.

But as damaging as extending these expiring provisions will be to tax fairness and economic outcomes, they might be even more damaging to the public's confidence that tax policy can ever be reoriented to ensure that the ultrarich and corporations pay their fair share. Instead, the debate over the expiring provisions will draw attention to two facts. First, the large majority of U.S. households will see a tax cut (relative to current law), but these cuts will be much larger for the rich. For example, the bottom 60% of households will see a tax cut of just over \$1 per day, while the top 1% will see a cut of \$165 per day, and the top 0.1% will see a whopping \$860 per day. Second, these regressive tax cuts are bundled with spending cuts that will sharply reduce incomes for the people in the bottom half of the income distribution, leaving them net losers overall.

This combination of facts will continue to feed perceptions that the only way typical households can get something—anything—out of tax policy debates is if they settle for crumbs from the feast enjoyed by the richest. And even these crumbs will be taken back in the form of cuts elsewhere.

It's time to reverse these perceptions. If policymakers engage in a confidence-building set

of measures to raise significant revenue only from the ultrarich, the public's stance toward tax policy can be changed from being anti-tax to being willing to have debates about the pros and cons of public sector expansions, content in the knowledge that the very rich will neither escape their obligations nor claim the lion's share of benefits yet again.

Notes

1. Obviously not all of this downward ratchet is bad. The steep decline in tax rates for the poorest families, driven by expanding Earned Income and Child Tax credits, has been a very welcome policy development in recent decades.
2. The strong relationship between the level of gross domestic product (GDP) per capita and the share of the public sector in a nation's economy is recognized enough to have been named: Wagner's Law.
3. On the relative smallness of the U.S. fiscal state (both spending and taxation as shares of GDP), see EPI 2025.
4. Bivens and Mishel 2021 note the number of intentional policy changes outside the sphere of taxation that have driven much of the growth in pre-tax inequality.
5. For example, both the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) paid for the additional spending on public investments and income support programs they called for with new taxes. That said, because Republican-driven tax cuts were passed in the interim, the upshot has been mostly larger budget deficits over time.
6. See Kogan and Vela 2024 for an explanation and estimation of the U.S. fiscal gap in 2024.
7. The rate of return assumption matters a lot for how durable revenue increases from a wealth tax will be over time. A rate of 8.5% is on the high end of many projections for rates of return to wealth in coming decades.
8. Specifically, they note about wealth taxes: "Set the rates medium (2%–3%) and you get revenue for a long time and deconcentration eventually" (Saez and Zucman 2019b). When they estimate the potential revenue of Elizabeth Warren's 2% wealth tax on estates over \$50 million (with an additional tax of 1% on wealth over a billion), they find it raises roughly 1% of GDP per year (Saez and Zucman 2019a).
9. This estimate comes from the Penn Wharton Budget Model 2022.
10. For a description of that surtax and the competing revenue options debated at the time, see Bivens and Gould 2009.
11. This number has been inflated to 2024 dollars.
12. See Gardner et al. 2024 on the effective corporate income tax rate before and after the TCJA.
13. For example, the Distributional Financial Accounts of the Federal Reserve Board (2025) estimate that the wealthiest 1% of households own over 30% of corporate equities, while the wealthiest 10% own just under 90%.
14. See Sarin and Summers 2019 for how much of the tax gap is driven by poor reporting requirements on income flows disproportionately earned by the rich—mostly various forms of

noncorporate business income.

15. This range of estimates comes from the Joint Committee on Taxation (JCT) 2023, and Lautz and Hernandez 2024. Part of this variation is about how much extra revenue is allocated to the strict step-up in basis termination versus the extra revenue that is collected through the normal capital gains tax as a result of closing this loophole.
16. The details of this gap can be found in Office of Tax Analysis 2016. The upshot is that some business owners have managed to deny being active managers of their firms and have, hence, avoided being taxed on labor earnings, but they have somehow also managed to deny being passive owners of their firms, hence avoiding the NIIT as well. It is bizarre that this not-active but not-passive category of owner has been allowed to be given legal status, but that does seem to be the state of the law currently, until Congress acts.
17. See Bivens 2016 on how profits held abroad by deferring taxation were not a constraint on any meaningful economic activity.
18. I say “appear” because the ability and even the specific strategies corporations have to make profits clearly earned by sales in the United States appear on paper to have been earned in tax havens are all extremely well documented by now, including in Zucman 2015.
19. See Elzayn et al. 2023 for evidence that the audit patterns of the IRS in the mid-2010s were driven by these considerations.

References

- Batchelder, Lily. 2020. *Leveling the Playing Field Between Inherited Income and Income from Work Through an Inheritance Tax*. The Hamilton Project, The Brookings Institution, January 28, 2020.
- Bivens, Josh. 2016. “Freeing Corporate Profits from Their Fair Share of Taxes Is Not the Deal America Needs.” *Working Economics Blog* (Economic Policy Institute), September 27, 2016.
- Bivens, Josh, and Elise Gould. 2009. *House Health Care Bill Is Right on the Money: Taxing High Incomes Is Better Than Taxing High Premiums*. Economic Policy Institute, December 2009.
- Bivens, Josh, and Lawrence Mishel. 2021. *Identifying the Policy Levers Generating Wage Suppression and Wage Inequality*. Economic Policy Institute, May 2021.
- Brun, Lidía, Ignacio González, and Juan Antonio Montecino. 2025. “Corporate Taxation and Market Power Wealth.” Working Paper, Institute for Macroeconomic Policy Analysis (IMPA), February 12, 2025.
- Clausing, Kimberly A., and Natasha Sarin. 2023. *The Coming Fiscal Cliff: A Blueprint for Tax Reform in 2025*. The Hamilton Project, The Brookings Institution, September 2023.
- Economic Policy Institute (EPI). 2025. *U.S. Tax and Spending Explorer*.
- Elazyn, Hadi, Evelyn Smith, Thomas Hertz, Arun Ramesh, Robin Fisher, Daniel E. Ho, and Jacob Goldin. 2023. “Measuring and Mitigating Racial Disparities in Tax Audits.” Stanford Institute for Economic Policy Research (SIEPR) Working Paper, January 2023.
- Federal Reserve Board. 2025. *Distributional Financial Accounts of the United States*. Accessed April 2025.
- Gardner, Matthew, Michael Ettlinger, Steve Wamhoff, and Spandan Marasini. 2024. *Corporate Taxes Before and After the Trump Tax Law*. Institute on Taxation and Economic Policy (ITEP), May 2, 2024.
- Greenwald, Daniel L., Martin Lettau, and Sydney C. Ludvigson. 2025. “How the Wealth Was Won: Factor Shares as Market Fundamentals.” *Journal of Political Economy* 133, no. 4 (April): 1083–1132.
- Hemel, Daniel, and Robert Lord. 2021. “Closing Gaps in the Estate and Gift Tax Base.” Working Paper, Coase-Sandor Working Paper Series in Law and Economics. University of Chicago Law School, August 13, 2021.
- Joint Committee on Taxation (JCT). 2023. *Estimates of Federal Tax Expenditures for Fiscal Years 2023–2027*. JCX-59-23, December 7, 2023.
- Kogan, Bobby, and Jessica Vela. 2024. *What Would It Take to Stabilize the Debt-to-GDP Ratio?* Center for American Progress, June 5, 2024.
- Lautz, Andrew, and Fredrick Hernandez. 2024. *Paying the 2025 Tax Bill: Step Up in Basis and Securities-Backed Lines of Credit*. Bipartisan Policy Center, December 12, 2024.
- Office of Tax Analysis. 2016. *Gaps Between the Net Investment Income Tax Base and the Employment Tax Base*, April 14, 2016.
- Page, Benjamin I., Larry M. Bartels, and Jason Seawright. 2013. “Democracy and the Policy

Preferences of Wealthy Americans.” *Perspectives on Politics* 11, no. 1 (March): 51–73.

Penn Wharton Budget Model. 2022. *Decomposing the Decline in Estate Tax Liability Since 2000*, University of Pennsylvania, July 28, 2022.

Rau, Eli G., and Susan Stokes. 2024. “Income Inequality and the Erosion of Democracy in the Twenty-First Century.” *PNAS* 122, no. 1, December 30, 2024.

Saez, Emmanuel, and Gabriel Zucman. 2019a. “Policy Memo on Wealth Taxes,” September 22, 2019.

Saez, Emmanuel, and Gabriel Zucman. 2019b. *Progressive Wealth Taxation*. Brookings Papers on Economic Activity, Fall 2019.

Sarin, Natasha, and Lawrence H. Summers. 2019. “Shrinking the Tax Gap: Approaches and Revenue Potential.” National Bureau of Economic Research (NBER) Working Paper no. 26475, November 2019.

Tax Policy Center (TPC). 2025. Revenue Estimate of Wealth Tax Proposal from Why Not Initiative.

Treasury Inspector General for Tax Administration (TIGTA). 2025. *Snapshot Report: IRS Workforce Reductions as of May 2025*. Report Number 2025-IE-R027. July 18, 2025.

Williamson, Vanessa S. 2017. *Read My Lips: Why Americans Are Proud to Pay Taxes*. Princeton, N.J.: Princeton Univ. Press, March 2017.

Zucman, Gabriel. 2015. *The Hidden Wealth of Nations: The Scourge of Tax Havens*. Translated by Teresa Lavender Fagan. Foreword by Thomas Piketty. Univ. of Chicago Press.