A VISION FOR BLACK LIVES

POLICY DEMANDS FOR BLACK POWER, FREEDOM, & JUSTICE

Restructure Tax Codes

M4BL

THE MOVEMENT FOR BLACK LIVES

RESTRUCTURE TAX CODES

ACTION: A PROGRESSIVE RESTRUCTURING OF ALL TAX CODES AT THE LOCAL, STATE, AND FEDERAL LEVELS TO ENSURE A RADICAL AND SUSTAINABLE DISTRIBUTION OF WEALTH AND CHECK ON CORPORATE POWER

THE ISSUE:

The current taxation system exacerbates economic and racial disparities rather than generating sufficient revenue to be redistributed for the common good. Billionaires and corporations benefit from subsidies and tax breaks to accumulate wealth while avoiding taxation. Meanwhile low-income people and communities, who are disproportionately Black, are targeted for higher taxes and more aggressive enforcement of tax codes. Funding for public programs and infrastructure is slashed under the pretext of revenue shortfalls, while policymakers refuse to raise taxes and impose fees and fines disproportionately borne by Black and low-income communities to generate revenue instead.

THE DEMAND:

The tax code must be radically restructured at all levels of government, and enforcement efforts must focus on corporations, wealth transfers, and high income earners.

WHAT IS THE PROBLEM?

REGRESSIVE TAXATION

The U.S. tax system is concentrating wealth in ways that reinforce and expand existing structural and racial economic disparities, rather than generating and redistributing collective resources for the collective good.

Billionaires and corporations largely avoid paying taxes on wealth they accumulate - for instance, according to the Institution on Taxation and Economic Policy, Amazon paid no taxes on billions in profits in 2018. Amazon is not alone, as many corporations extracting high profits pay low effective tax rates while receiving the benefit of public dollars in many forms, including subsidies and tax rebates. They are also able to pay workers rock bottom wages, increasing their profits, thanks to public benefits paid to low-wage employees to supplement their earnings.

At the same time, low-income people and communities are aggressively taxed and targeted for enforcement of actual (often unintended) or perceived violations of tax codes, and funding for public programs and infrastructure is slashed by policymakers who claim there isn't enough revenue while refusing to raise taxes.

The federal government and a growing number of jurisdictions are moving away from progressive taxation - taxing people based on based on income, property, capital gains (wealth accumulated through the stock market), inheritance of wealth, and purchases of luxury items - and toward regressive taxation methods that disproportionately extract revenue from low-income people - such as increased sales taxes, privatization of public services, and imposition of user fees to maintain barebones public infrastructure while offering minimal social support. Black and low-income communities are also subject to discriminatory enforcement of offenses that carry civil and criminal fines and fees - from parking tickets to traffic offenses to building code violations.

As a result, low and middle income people are being forced to pay more to purchase goods to meet basic needs, and for public services like trash collection, access to water, sewage, and public property maintenance. At the same time as the tax burden on low-income people and communities increases, they are receiving fewer services and are increasingly navigating decaying infrastructure and a gutted social safety net.

LACK OF TRANSPARENCY

There is generally a lack of transparency at all levels of government about the ways in which taxation policies and practices - and tax evasion by the wealthy - contribute to lost tax revenue and exacerbate racial and economic injustice. There is also limited data about the racial demographic breakdown of who pays - and doesn't pay - taxes.

RACIAL AND ECONOMIC DISPARITIES

The information we do have indicates that, as with most injustices in our economic and political systems, our current taxation system disproportionately impacts Black people. Across the country, low-income people, who are disproportionately Black, Indigenous, and other people of color, pay proportionally more in state and local taxes than the wealthy, and are subject to discriminatory enforcement of tax codes. For example,

❖ According to a study on the Tax Cut and Jobs Act conducted by Prosperity Now and the Institute on Taxation and Economic Policy, in 2018 white households benefited from an average tax cut of $2,020, while Black households received an average tax cut of only $840.

❖ In the ten states with the most regressive tax structures, the fifth of the population with the lowest income pays up to seven times as much in state and local taxes and fees (as a percentage of income) than the wealthiest residents.

❖ The IRS enforces tax codes inequitably, auditing people much more heavily in high-poverty areas of the country. The five counties with the highest audit rates are predominantly Black and rural counties in the southern region of the United States.

- Because the IRS disproportionately focuses its audit efforts on the Earned Income Tax Credit (EITC) (a credit primarily for lower-income households) the bulk of the agency's resources are used to audit lower income individuals and households. Meanwhile, wealthy individuals are ***responsible for $175 billion in lost taxes every year through complex tax evasion schemes.***

- Currently, tax officials have discretion to decide whether to pursue civil or criminal penalities for violations of tax codes - and often use criminal provisions to target Black people, including Black political leaders.

- Tax breaks for homeowners, retirement savings, education savings, employer-sponsored health insurance, health savings, and capital gains contribute to widening the growing wealth gap between white and Black households: the average white family now owns over 7.5 times as much wealth as the average Black family. For instance, Black people have far lower median income and lower levels of homeownership than other demographic groups. As a result Black people benefit less from things like tax retirement advantage accounts, long term capital gains taxes on assets like stocks and bonds, and mortgage interest deductions.

As the wealthiest U.S. residents and powerful corporations continue to evade taxes, many public services, programs and initiatives that could increase racial and economic justice go underfunded or unfunded. States are shifting the cost of public services onto low-income residents and criminalized communities through fines and fees, or cutting them altogether, with devastating impacts. Many municipalities with majority Black populations have increased public school class sizes, shortened school days, closed vital city offices, reduced public transportation, decreased affordable housing assistance, cut essential health care programs and necessary supports for disabled people, eliminated public sector jobs, and exposed communities to public health and environmental hazards by cutting spending on water and physical infrastructure and privatizing public utilities.

THE DEMAND

WE DEMAND:

The Movement for Black Lives is calling for a radical restructuring and equitable enforcement of tax codes. Specifically, we are calling on federal, state and local governments to:

SUBSTITUTE PRIVATE SURVEILLANCE

❖ Collect and make public race and gender-based tax data critical to developing a tax code that will mitigate the impact of the law and IRS policies on Black people. Collecting and sharing this information will enable policymakers and the public to see who benefits from current disparities in tax laws and enforcement, and who is disproportionately benefitting from IRS tax breaks and loopholes.

FOCUS TAX CODE ENFORCEMENT ON HIGH INCOME AND CORPORATE TAXPAYERS

❖ Deprioritize audits of people claiming the Earned Income Tax Credit (EITC) and reduce penalties for violations of EITC-related regulations.

❖ Build and use capacity to audit high income taxpayers and large corporations primarily responsible for lost tax revenue.

❖ Enforce the tax code through civil enforcement mechanisms and repeal criminal provisions of tax codes.

❖ Direct tax judgments into programs serving low-income people.

RADICALLY RESTRUCTURE TAX CODES

Radically restructure federal, state and local tax codes to implement progressive taxation by:

- **Eliminating all corporate loopholes and raising corporate income tax rates on large corporations. Under the Trump administration, the corporate tax rate was reduced to 21%. Raising the corporate tax rate and closing corporate tax loopholes will not only lead to a dramatic increase in desperately needed public resources, it will also check the political power of the wealthy.**

- **Creating a lobbying tax;**

- **Make federal income taxes more progressive by creating more tax brackets and substantially increasing the marginal tax rate (the increased tax rate paid for each additional dollar of income - there are currently seven different tax rates based on income) for the top 1% of income earners, thus producing a wider spread in rates between the lowest and highest brackets. The effective tax rate for the top 1% of the population in terms of income has been reduced from 90% in the 1960s to around 20% of total income currently.**

- **Removing income caps on payroll taxes that fund Social Security and unemployment insurance, similar to removal of caps on taxes on Medicare. Currently only earnings up to a maximum of $142,800 are taxed by Social Security payroll taxes. This taxable maximum rises each year by an amount equivalent to average wage increases. But because the earnings of those above the cap have tended to rise much faster than average earnings in recent decades (a sign of rising inequality), the share of total earnings subject to the Social Security tax has fallen. Removing the income caps ensures that higher incomes are adequately taxed, and can help stem growing income inequality.**

- Imposing an excise tax (a tax on the sale of goods) on gun manufacturers, oil and gas companies, and other corporations engaged in harmful activities;

- Increasing taxes on wealth by increasing taxes on capital (growth in the value of investments, like real estate and stock market earnings) to the point where they are higher than taxes on labor, as wealth inequality is greater than income inequality. Specifically, jurisdictions should:

  - Impose a wealth tax of 2% on every dollar on households earning above $50 million and 3% on every household earning above $1 billion;

  - Tax capital gains (earnings from investments and stocks) as income, eliminate capital gains tax breaks, raise taxes on financial transactions, and apply the capital gains tax on both realized and unrealized gains (i.e. whether someone actually sells something of value or not). This would ensure that high-income households are paying the taxes they owe on their increasing wealth and close tax loopholes.

  - Create a tax on property transfers that discourages speculation.

  - Assess and eliminate tax exemptions such as mortgage reduction for homes sold above a specified price threshold, health insurance exemption, investment-based retirement accounts, etc., and instead support wealth-building by households who don't yet hold such assets.

  - Increase estate tax and inheritance taxes;

  - Impose an exit tax on individuals who renounce citizenship or use dual citizenship to escape taxation;

  - Make low-wage employers pay a penalty or a payroll tax rate proportional to wage disparity. In other words, employers should be incentivized to pay workers above minimum wage and taxed on the difference between the wages of the highest paid employees and lowest paid employees.

  - Create disincentives to employers contracting work out, including by ending the pass-through deduction.

REDEFINE FAMILIES AND DEPENDENTS

- Redefine family and dependency to account for all family formations, including queer families. Allow all families to file taxes together if they're a financial unit, regardless of how they are legally related, and allow all parents to claim their children as dependents and qualify for child-related tax credits, even if they are not legally recognized as "parents."

ENSURE THE TAX CODE PROMOTES GENDER AND REPRODUCTIVE JUSTICE

- Expand and engage in public education around tax deductions for gender-based transition-related medical health expenses, deductions for abortion and other reproductive health expenses, and the adoption credit.

HOW DOES THIS SOLUTION ADDRESS THE SPECIFIC NEEDS OF SOME OF THE MOST MARGINALIZED BLACK PEOPLE?

- These solutions will particularly benefit the lowest income and lowest wealth individuals and families, who are disproportionately single Black women with and without children and Black queer and trans people, by both increasing income and improving access to public services funded through tax dollars.

- A more equitable, redistributive tax policy will help reduce the racial wealth and income gap and create better funded municipalities and states, enabling them to provide better services.

THE NATIONAL WOMEN'S LAW CENTER DEFINES THE PRINCIPLES OF TAX JUSTICE AS FOLLOWS:

THE TAX CODE SHOULD BE:

SUFFICIENT

Raising enough revenue to support national needs and equitable investments in priorities such as physical and social infrastructure, including education, health care, caregiving, and the environment.

JUST

Consistent with its historic and well-established redistributive role, reducing inequality overall and acting as a check on extreme wealth and the concentration of political and economic power that undermines our democracy, rather than rewarding and incentivizing behaviors by wealthy individuals and corporations that exacerbate poverty and inequality.

EQUITABLE

Supporting economic security and opportunity for all, but with particular attention to reducing rather than exacerbating historical and current inequities for marginalized communities and families, including women, people with low incomes, people of color, immigrants, LGBTQ people, and people with disabilities.

INCLUSIVE

Recognizing workers and families as they exist in reality, not based on embedded gender and racial biases and assumptions that typical families consist of – or should consist of – a married male breadwinner and female homemaker and their children.

SIMPLE

Making it easy for everyday taxpayers to comply with the tax code without the assistance of paid tax preparers, and minimizing administrative costs and burdens, especially for low- and moderate-income families.

FAIRLY ENFORCED

Funding adequately the Internal Revenue Service (IRS), instituting robust third-party reporting requirements for business and investment transactions, and better supporting and targeting enforcement to ensure that low-income tax filers do not bear a disproportionate risk of audits and enforcement actions compared to higher income tax filers.

TRANSPARENT

Enabling the public to easily understand the impact of tax policies on families, women, people of color, and other historically disadvantaged groups, while also providing the public, researchers, and advocates the ability to measure and analyze tax policy and its effects, especially through improved data collection, analysis, and appropriate publication.

Credit From: TAX JUSTICE IS GENDER JUSTICE: *Advancing Gender and Racial Equity* by Harnessing the Power of the U.S. Tax Code.

FEDERAL ACTION:

CONGRESS SHOULD:

- Create a federal working group or commission to propose a wholesale overhaul of tax policy to increase racial and economic equity through a participatory process;
- Develop and pass omnibus tax reform legislation in accordance with racial and economic equity goals;
- Raise corporate income taxes and end tax deferral for multinational corporations' foreign income. Corporate tax rate should be returned to 35% in the near term, with a phase-in process for returning to the corporate tax rate for large corporations to 1968 levels or 50%.
- Institute a lobbying tax on companies that spend over $500,000 on lobbying, starting at 35% of total lobbying expenditures and graduating to 75% for firms that spend over $5 million.
- Raise marginal tax rates for high income earners - specifically the top 1% of income earners - to 50% and then gradually up to 80% to 90%.
- Remove income caps on payroll taxes.
- Eliminate tax breaks and impose an excise tax on gun manufacturers, oil and gas companies, and other corporations engaged in harmful activities.
- Allow all families to file taxes together if they're a financial unit, regardless of how they are legally related, and allow all parents to claim their children as dependents and qualify for child-related tax credits, even if they are not legally recognized as "parents.

FEDERAL ACTION:

- Make permanent and expanding the American Rescue Plan Act's expansion of the Child and Dependent Care Tax Credit and the Earned Income Tax Credit (EITC) for low income workers not raising children, including non-custodial parents and childless adults, to reach every child on a monthly basis without regard to their immigration status, thereby reducing taxes owed by low-income earners. In addition, jurisdictions should work toward providing universal quality, accessible, and free childcare, dependent care, and care for disabled people.

- Make the federal tax code more progressive by:

  - Imposing a wealth tax of 2% on every dollar on households earning above $50 million and 3% on every household earning above $1 billion;

  - Assessing a 10-percentage-point surtax on adjusted gross income (AGI) in excess of $1 million for single filers and $2 million for joint filers. This surtax would apply to both income from work and income from wealth.

  - Taxing capital gains as income and applying the capital gains tax on both realized and unrealized gains;

  - Creating a tax on property transfers such as a taxable penalty on the full value of the property at original purchase or sale, whichever is higher, for non-owner occupied properties which change hands in less than 5 years.

  - Assessing and eliminating tax exemptions such as mortgage reduction for homes sold above a specified price threshold, health insurance exemption, investment-based retirement accounts, etc., and instead support wealth-building by households who don't yet hold such assets.

FEDERAL ACTION:

- ➢ Increasing estate tax and inheritance taxes, and repeal "stepped up basis" provisions in federal tax law that allow individuals to avoid paying tax on the increase in value of assets over a person's lifetime when passed on at death;
- ➢ Imposing a 50% exit tax for individuals with a net worth above $5 million who renounce citizenship or use dual citizenship to escape taxation.
- ➢ Creating a financial transaction tax on trading stocks, bonds, derivatives and currencies, and signing treaties with countries housing major financial centers worldwide to do the same to discourage tax evasion.
- ➢ Closing loopholes, including those in the Net Investment Income tax, an additional tax on high-income households created by the Affordable Care Act, and the passthrough deduction established in the Trump tax law.
- ➢ Making low-wage employers pay a penalty or a payroll tax rate proportional to wage disparity.
- ➢ Creating disincentives to employers contracting work out, including by ending the pass-through deduction.

- ❖ Mandate the IRS to focus existing resources on enforcement for high-income taxpayers and corporations and on administering tax credits for families.
- ❖ Direct the IRS to enforce the tax code through civil enforcement mechanisms and repeal criminal provisions of tax codes.
- ❖ Direct tax judgments into programs serving low-income people.

FEDERAL ACTION:

THE IRS SHOULD:

- Collect and make public race-based tax data.
- Deprioritize audits of people claiming the Earned Income Tax Credit (EITC) and reduce penalties for violations of EITC-related regulations.
- Build and use capacity to audit high income and large corporations taxpayers primarily responsible for lost tax revenue. The IRS should raise the threshold of earnings defined as “high-income” from the current level of $200,000 (individuals earning this amount tend to be wage-earners) to $400,000 and above. This would ensure that more resources are directed to ensuring compliance of high income earners, rather than lower wage earners.

STATE ACTION:

EACH STATE SHOULD:

- Create a working group or commission to propose wholesale tax reform consistent with racial & economic equity goals through a participatory process, and create and implement appropriate legislation;
- Implement progressive income taxes and redistribute the revenue as needed to municipalities;
- Lift state income and corporate tax rate caps and eliminate corporate subsidies and giveaways on property taxes;
- Impose a "Real Estate Transfer Tax" (RETT), a tax levied at the point of sale of a property. Broadly utilized in states and municipalities, when progressively structured, RETTs generate significant revenue, particularly for higher value buildings.
- Implement tax base sharing (in which all of the municipalities in a given metropolitan area agree to share the tax proceeds from new development) to reduce inequality and prevent a race-to-the-bottom approach to local and regional economic development;
- Eliminate all corporate loopholes at state level, including single sales factor (which provides for taxation of corporate earnings in that state only, as opposed to the three factor approach, which taxes corporations based on their payroll, property and sales within the state);
- Reduce sales and gross receipts taxes and shift toward luxury taxes and taxes on extractive and polluting industries;
- Enact and expand Earned Income Tax Credits;
- Enact and expand child and dependent care tax credits;
- Collect and make public race-based tax data.

LOCAL ACTION

LOCAL JURISDICTIONS SHOULD:

- Ensure that property taxes and other local taxes are income sensitized;

- Decouple school funding from property taxes and impose a school funding system that is equitable in every jurisdiction;

- Impose a "Real Estate Transfer Tax" (RETT), a tax levied at the point of sale of a property. Broadly utilized in states and municipalities, when progressively structured, RETTs generate significant revenue, particularly for higher value buildings.

- Eliminate Tax Increment Financing (TIF), Business Improvement Districts (BID) and Opportunity Zones which allow use of public funds to subsidize economic development and public projects in underdeveloped areas. Many governments have created TIF districts in areas that are not underdeveloped or under resourced, and have also given public funds to private developers that would otherwise have sufficient capital for a development project. TIF abuse has led to calls to abolish TIF so that TIF dollars can go back into the general taxing bodies with the understanding that they can be used for things that benefit all residents;

- Implement progressive municipal income taxes that tax higher income earners at higher rates;

- Apply conservation pricing on utilities so lower-income households pay a lower rate and bulk or excessive users — such as commercial and industry — pay higher rates;

LOCAL ACTION

- Charge different rates of property tax for residential, second home, and commercial and industrial properties with higher rates for higher value land, such as a “mansion tax;”

- Impose an anti-speculation tax on property transfers;

- Institute “land value capture” or “valuation” policies that leverage land value as a source of revenues for community benefit;

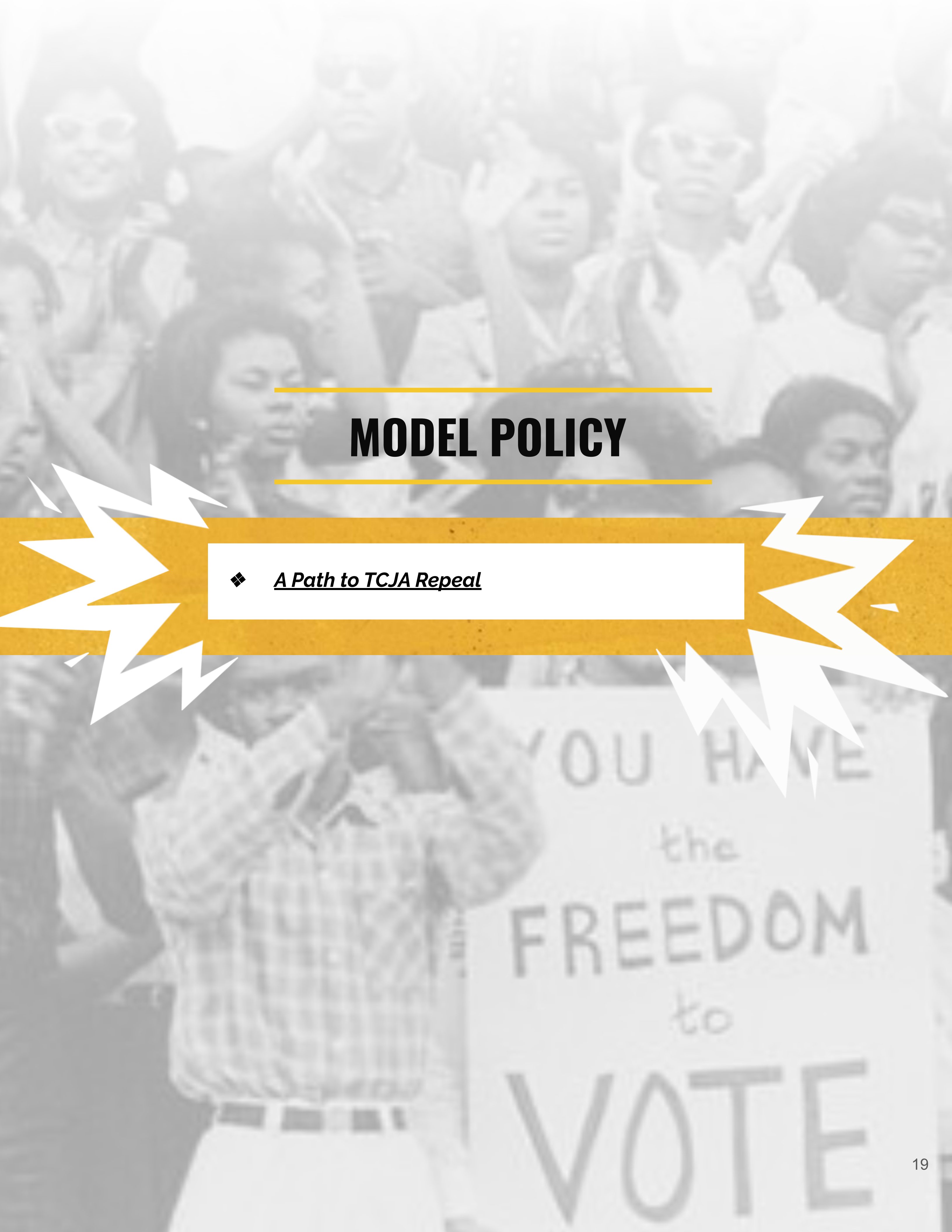
- Provide fixed dollar exemptions rather than percentage-based exemptions and implement “circuit breakers” for property taxpayers below a certain income level. A percentage-based exemption provides the same percentage reduction in taxes for homeowners across the board therefore, it favors owners with higher-valued homes.

- Lower income households tend to have lower valued homes. A fixed or flat-dollar property tax exemption is a progressive structure because it reduces the property tax for homeowners but the percentage is a larger share of the home value for owners with lower-valued homes. Therefore, they see a higher reduction.

- Typically, large tax exempt institutions (e.g. hospitals, private universities, churches, museums, etc) forge Payment in Lieu of Taxes (PILOT) agreements with governments. PILOT agreements are agreements to make payments to compensate governments for some or all of the property tax revenue lost due to tax exempt ownership or use of real property. In other words, PILOT agreements help governments offset losses of revenue that could otherwise have been collected via property taxes. Mandate that large tax exempt institutions enter into Payment in Lieu of Taxes (PILOT) agreements in order to generate more revenue that can be used to benefit residents.

MODEL POLICY

- ***[A Path to TCJA Repeal](#)***



RESOURCES

- Local Progress, *Progressive Policies for Raising Municipal Revenue*
- Institute on Taxation and Economic Policy, *Who Pays: A Distributional Analysis of the Tax Systems in All Fifty States*
- Institute on Taxation and Economic Policy, *Taxes and Racial Equity: An Overview of State and Local Policy Impacts*
- Center on Budget and Policy Priorities, *Advancing Racial Equity With State Tax Policy*
- Center on Budget and Policy Priorities, *How the Federal Tax Code Can Better Advance Racial Equity*
- National Women's Law Center, *Gender and the Tax Code*
- National Women's Law Center, *Tax Justice is Gender Justice*
- Social Justice Sexuality Project, Intersecting Injustice: A National Call to Action Addressing LGBTQ *Poverty and Economic Justice for All: A National Call to Action*

ORGANIZATIONS CURRENTLY WORKING ON POLICY

- ACTION CENTER ON RACE AND THE ECONOMY (ACRE)
- CENTER ON BUDGET AND POLICY PRIORITIES
- INSTITUTE ON TAXATION AND ECONOMIC POLICY (ITEP)
- LIBERATION IN A GENERATION
- NATIONAL WOMEN'S LAW CENTER (NWLC)
- PROSPERITY NOW
- THE INSIGHT CENTER

AUTHORS & CONTRIBUTORS

- Cathy Albisa, National Economic & Social Rights Initiative
- Indivar Dutta-Gupta, Georgetown University Law Center
- Amara Enyia, Movement for Black Lives
- Karl Kumodzi, Blackbird
- Amy Matsui, National Women's Law Center
- Anja Rudiger, National Economic & Social Rights Initiative
- Makani Themba, Higher Ground Change Strategies
- Maurice Weeks, Action Center on Race and the Economy

RELATED BRIEFS

RIGHT TO EDUCATION

END THE WAR ON BLACK WOMEN

A VISION FOR BLACK LIVES

POLICY DEMANDS FOR BLACK POWER, FREEDOM, & JUSTICE

M4BL.ORG

M4BL

THE MOVEMENT FOR BLACK LIVES