

Taxjusticenow.org (October 13, 2019)

By Emmanuel Saez and Gabriel Zucman, University of California Berkeley

Taxjusticenow.org is an open-source interactive website that estimates and depicts the effect of tax policy changes on tax progressivity, government revenue, and inequality. The goal is to help citizens understand and participate in the tax debate. We see this tool as an essential companion to our book *The Triumph of Injustice*, published on October 15, 2019. Taxjusticenow.org has three main features:

- It shows how much each social group pays in taxes today when including all taxes at all levels of government.
- Users can explore how changing existing taxes—such as increasing top income tax rates—or creating new taxes—such as a progressive wealth tax or a value added tax—would affect tax revenue, tax progressivity, and inequality.
- It models the tax plans of the main presidential candidates as we best understand them (the plans are still work in progress and will update as new proposals come in).

The starting point of Taxjusticenow.org is the US tax system of 2018, the year following President Trump's tax reform. When taking into account all taxes (individual income taxes, corporate taxes, payroll taxes, consumption taxes, etc.) at all levels of governments (federal, state, and local), all groups of the population pay around 28% of their income in taxes, except the top 400 richest Americans who pay 23%. When treating mandatory private health insurance premiums as taxes, the US tax system is in fact highly regressive, with tax rates of about 40% for the middle income groups, falling to 23% for billionaires. Private insurance premiums are best analyzed as a large privatized poll tax on covered workers: a tax because they're mandatory (employers with 50+ workers have to offer insurance) while most other groups get highly subsidized insurance (medicaid, medicare, ACA exchanges); privatized because they're managed by employers; and a poll tax because they are essentially a fixed amount per covered worker (the secretary pays the same amount as the executive).

The interactive tax policy simulations offered on taxjusticenow.org allow to answer questions such as: Would increasing the top marginal income tax rate to 70% suffice to make billionaires contribute more to the public coffers—all taxes included—than working-class Americans? How much would each social group win from the abolition of private health insurance premiums? What if the United States created a new wealth tax? By how much could the deficit be reduced?

Our simulator is simpler than those of government agencies and think-tanks. On the plus side, taxjusticenow.org is open-source, user-friendly, and can simulate new taxes, such as a wealth tax, on top of changes to existing taxes. It's a tool for the people that captures the essence of the tax debate: how much does each group pay, and how can we make the tax system fairer? Our goal is to expand and improve this tool in the coming months and years.

The attached figure contrasts the average tax rate paid by each income group today to the rates that would prevail under the plans of Biden, Sanders, and Warren. This is based on the main elements of their current work in progress tax plans, summarized in the attached table. Some of the proposals are not yet fully specified, in which case we do not model them (unless there is a prior plan to draw upon or the candidates have made clear statements about their intentions). We include private health insurance contributions through employers (7% of national income) as a tax currently paid by the corresponding covered workers. Both Warren and Sanders plan to abolish this private poll tax. This would lead to a large tax cut in the form of a big pay increase for the bottom 90%. At the top, the biggest driver of the increased progressivity is the wealth tax in Warren's and Sanders' plans.

Importantly, we model only taxes and not the extra outlays that candidates are proposing (such as higher social security benefits, insuring more people with more generous plans, etc.).

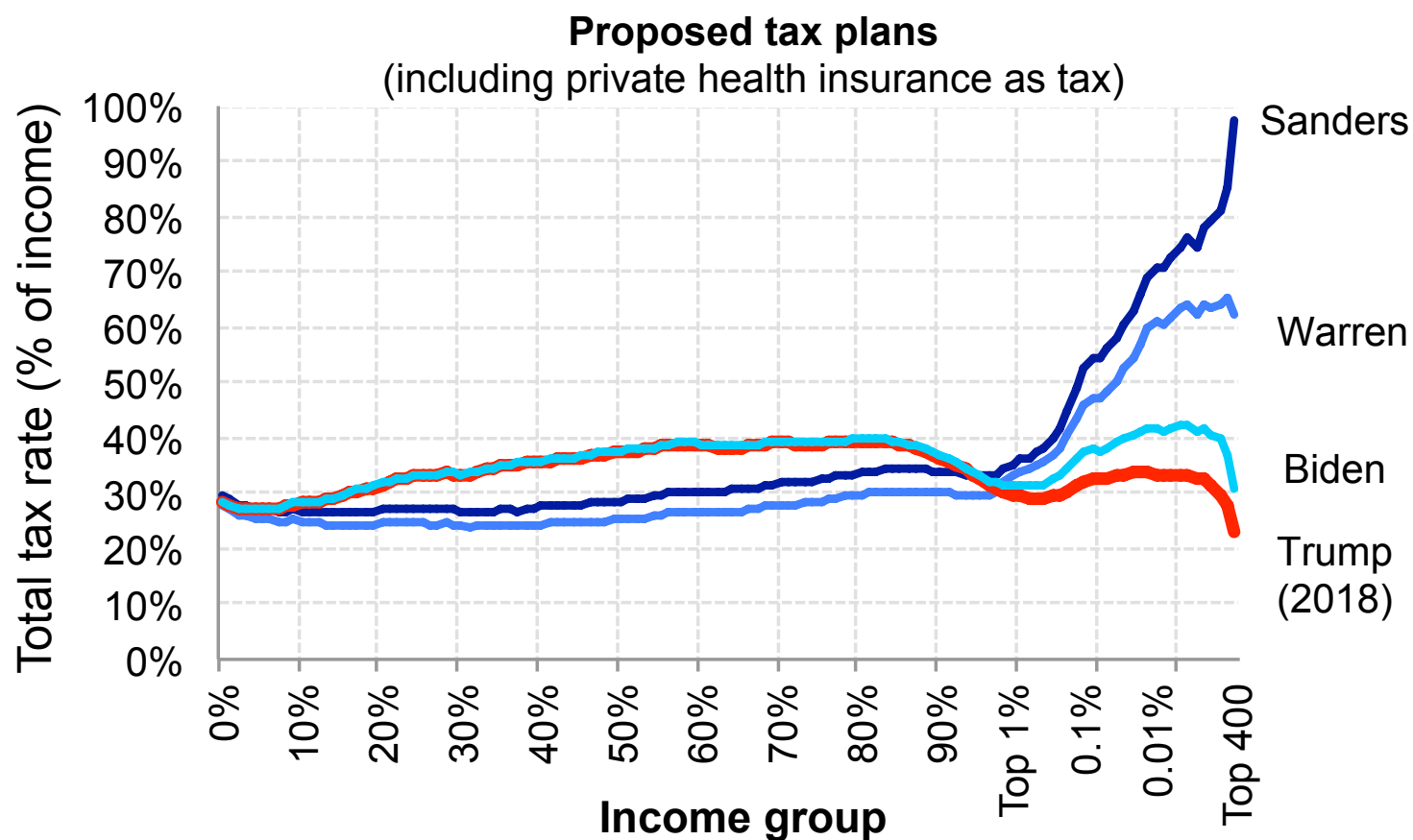
We will update our modeling as proposals are refined and expanded. But you don't have to wait, with our tool, you can start from each of the (still in progress) candidates' tax plans, explore how to best complete them and engage with your favorite campaign.

Table 1: Modeling of Candidates' Tax Plans (in progress as of October 10, 2019)

	Trump (2018) Current tax system	Joe Biden	Elizabeth Warren	Bernie Sanders
Wealth tax	None	None	Graduated tax: 2% above \$50m, 3% above \$1bn Strong enforcement: 15% evasion rate	Graduated tax: 1% above \$32m, 2% above \$50m, ..., up to 8% above \$10bn Strong enforcement: 15% evasion rate
Plan status			Released with details	Released with details
Corporate tax	Effective fed+state corporate tax rate of 16% on US profits Negligible tax on foreign profits made by US multinationals	Effective fed+state corporate tax rate increased to 21% [nominal federal rate up to 28% halfway between Obama's 35% and Trump 21%] No change proposed yet	Effective fed+state corporate tax rate up to 25% (Obama level) [our guess] Better taxation of multinationals (real corp profit tax)	Effective fed+state corporate tax rate up to 25% (Obama level) [our guess] + extra surtax when CEO pay excessive Better taxation of multinationals [our guess]
Plan status		No detailed release yet	Released partly	Released partly
Individual income tax	Graduated rates up to 37%	Top rate only increases back to 39.6% (as under Obama) and 28% limit on tax expenditures Dividends / capital gains taxed at ordinary rates (for incomes above \$1m) + eliminate the step-up in basis at death for all taxpayers	Graduated rates up to 37%+new 14.8% high income social security surtax Dividends / capital gains taxed at ordinary rates (for surtax) Released partly [only surtax]	Graduated rates up to 52% +12.4% high income social security surtax+4% income surtax Dividends / capital gains taxed at ordinary rates Released partly [only surtaxes]
Plan status		No detailed release yet		
Private health insurance contributions through employers	Insured workers pay full cost regardless of earnings		Private insurance contributions (employer+employee) become extra wages	Private insurance contributions (employer+employee) become extra wages
Extra tax for funding (over and above other items)			Funding not yet fully specified	4% income surtax (in individual income tax above) and new employer 7.5% payroll tax
Plan status			No detailed release yet	Released with details
Estate tax	Tax rate of 40% above \$11m with weak enforcement		Increase in estate tax progressivity and enforcement (modeled approximately)	Increase in estate tax progressivity and enforcement (modeled approximately)
Other tax plans not modeled		Subject high-income wages to the normal payroll tax rates (no sufficient details yet to model)	Tax on lobbying (revenue effects small)	Detailed financial transaction tax (revenue effects likely small)
Net tax revenue surplus (% of national income):		1.6%	-2.0%*	2.6%
(relative to current tax system, taking into account only the parts we modeled based on existing statements and announcements)				

*Preliminary: tax plan shows a deficit because the funding source for replacing private health insurance by public funding is not yet fully specified.

Notes: The table lists the tax proposals made by the campaigns for each tax rubric. We have tried to approximate these proposals using our tax simulator (complete details in the technical appendix online). Some of the proposals are not yet fully specified (in which case we do not model them unless there is a prior plan to draw upon or the candidates have made salient statements about their intentions). The row "plan status" for each rubric indicates how advanced each proposal is. Sanders and Warren will replace the existing private insurance health care contributions through employers (=7% of national income) by public funding. In this case, current private health insurance contributions become extra cash wage income for workers and extra taxes fund health insurance. Revenue estimates in the bottom row are based on the parts we modeled and the best approximation we could make using our tax simulator (the Warren plan is in deficit because funding for health care has not yet been fully specified). Note that we do not include in this computation any new outlays (such as higher social security benefits or providing health insurance to more) as our focus is on taxes only (we view existing private insurance contributions as a privatized tax on covered workers). New outlays would benefit the working class and middle class but are not modeled here. The high income social security surtaxes of Warren and Sanders are modeled approximately as higher tax rates in top brackets for the individual income tax. The Sanders 7.5% employer payroll tax and excessive CEO pay corporate surtax is modeled as a 2% national income tax (on labor income and corporate profits) that raises approximately the same revenue. The candidates tax plans are not yet finalized (and hence our analysis may not reflect fully the campaigns' goals). We will update the figure as proposals are refined, completed, or expanded. This understanding, modeling, and analysis are our own (not the campaigns).



Notes: The figure depicts the average tax rate by income groups in 2018 (after the Trump tax cut) and under the three leading candidates for the democratic presidential primary: Joe Biden, Elizabeth Warren, and Bernie Sanders. All federal, state, and local taxes are included. We also include private health insurance contributions (7% of national income) as an extra tax paid by insured workers as Warren and Sanders plan to replace these private contributions by public funding. In this case, current private health insurance contributions become extra cash wage income for workers and extra taxes fund health insurance. The candidates tax plans are not yet finalized (and hence may not reflect fully the campaigns goals). We will update the figure as proposals are refined, completed, or expanded. The Biden tax plan raises 1.6% of national income extra in taxes (relative to current system). The Warren tax plan raises 2.0% of national income *less* (as the public health funding source is not yet fully specified). The Sanders tax plan raises 2.6% of national income extra (relative to current system). Taxes are expressed as a fraction of pre-tax income. Pre-tax income is comprehensive (it includes all labor and capital income including fringe benefits, retained earnings of corporations, etc.) and sums up to national income as described in Piketty, Saez, and Zucman (2018). Individual adults are divided into percentiles with finer breakdown within the top 1%. Incomes within married couples are split equally. The sample is limited to adults with pre-tax income above \$7,500 (half-time work at federal minimum wage) as taxes become large relative to pre-tax income for very low incomes. This sample includes 90% of adults and virtually 100% of national income. All results can be reproduced and explored at taxjusticenow.org.