

INCOME INEQUALITY

what you need to know

The following answers are based on the truth, not “alternative facts.” They are provided by the Indivisible Bluegrass Research Team.

Q: Andy Barr is against raising taxes. Sounds good to me. Why not support that?

A: The tax increases that Barr opposes would mostly affect the very rich. Republicans have cut taxes already on capital gains and dividends, and now they want to repeal the Alternative Minimum Tax and phase out the estate tax. All these taxes affect the top one percent, not the rest of us.

Q: What is the Alternative Minimum Tax?

A: In the past, rich people with crafty tax lawyers could use deductions and loopholes in the law to get away with paying no taxes at all. Some, like President Trump, have bragged openly about it. In 1969, the government created a new set of rules, called the Alternative Minimum Tax, as a way to prevent rich people from “working the system” in this way.

Q: What is the estate tax?

A: This is a tax on estates left behind when a person dies. It applies only to the largest multi-million-dollar estates and was designed to prevent massive wealth from being

accumulated by a small number of rich families. The current estate tax rate is 40 percent, but after multiple deductions, heirs typically pay about 17 percent. Even with this tax in place, 54 percent of total U.S. wealth is still owned by the richest three percent of Americans.

Many economists, and even some far-sighted billionaires like Warren Buffet, support the estate tax. They understand that if a nation’s economy is to thrive, most of its wealth should be earned, not inherited.

Q: Only three percent of Americans own more than half our country’s wealth?

A: Yes, and income inequality in America is getting worse. Since 1979, salaries for the top one percent grew 138 percent, while wages for the bottom 90 percent increased only 15 percent. Today, America’s top 10 percent have more than nine times as much income as the bottom 90 percent. And the top one percent has more than 40 times as much.

Q: But the more money people have, the more they put back into the system through taxes, right?

A. Not necessarily. A progressive tax system (where higher incomes are taxed at higher rates) should narrow income gaps between the



affluent and everyone else. This is not happening in America.

Q: Why not?

A: Because Congress has cut taxes on the very wealthy by 50 percent over the last 60 years. Meanwhile, the amount of money the government has in its coffers, as a percentage of the overall economy, has stayed about the same.

Q: If the rich are paying less, who is making up the difference?

A: The middle class is, primary through rising Social security, Medicare and unemployment taxes. Meanwhile, medical costs, housing, college tuition and other expenses have skyrocketed while workers' wages have risen only slightly. This is why so many working-class Americans feel they cannot move forward economically.

Q: Barr says we need to “get government out of the way” to move forward. What do you say?

A: We say that view is naïve to the point of being dangerous. Republicans want to reduce government by cutting funds for health care, higher education, infrastructure, social services, and other programs that benefit the vast majority of our citizens. In this way, they can avoid raising taxes on the rich.

Although America has more billionaires than any other country, we spend far less on improving the lives of our citizens than most other industrialized Western nations. This is our shameful truth.

Q: Are we “punishing success” by raising taxes on the rich?

A: No. Our nation applauds success and wealth. But wealth should not be something that is accumulated by a small number of families and passed down, tax-free, to heirs. A fair share of it should be redistributed, through taxation, to benefit all of society.

Q: So what should we do to help the middle and lower classes?

A: Here are five steps that would help:

1. Increase the estate tax. If heirs cannot live well on \$5 million or more, they should talk with the rest of us about how to make it work.
2. Increase taxes on capital gains and dividends, income which primarily benefits the top one percent.
3. Eliminate the income cap on Social Security tax rates. Presently, rich people contribute to this tax only up to a certain amount of their income. All Americans should contribute to Social Security on an equal basis.
4. Keep and strengthen the Alternative Minimum Tax so that the top one percent cannot continue to get away with having the bulk of their income untaxed.
5. Elect representatives who will vote in the best interests of all the people.

To learn more, go to www.indivisiblebluegrass.org and click on Resistance Toolkit > Research > *Taxes, Tax Breaks and the Primary Beneficiaries*.

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