Wealth Tax Reform Proposal

Summary:

Wealth inequality is directly responsible for many of the economic hardships the working class faces. This proposal advocates for replacing the federal income tax system with a progressive wealth tax to address growing wealth inequality in the United States. By taxing accumulated net wealth instead of annual income, the plan aims to relieve the financial burden on lower and middle-class families while generating significantly more revenue—estimated at $4.06 trillion annually compared to the current $2.06 trillion from income taxes.

Objective:

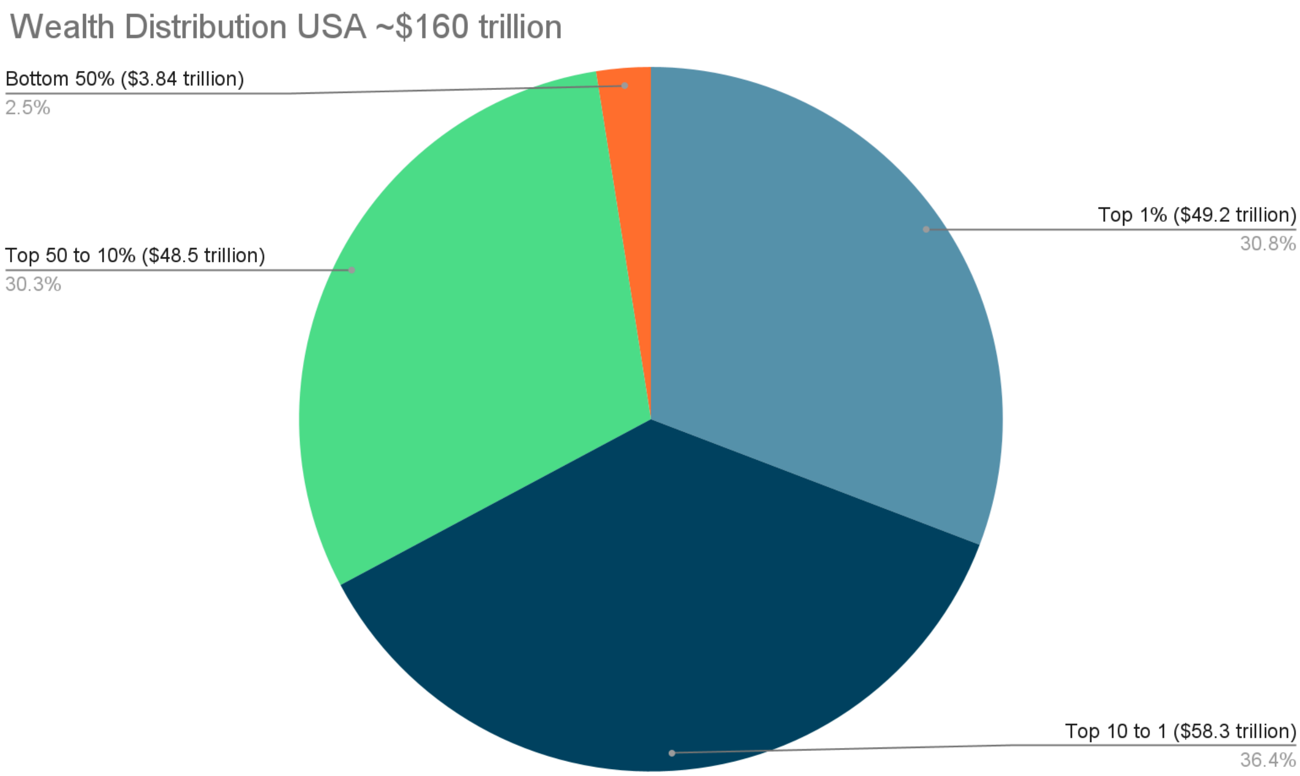
This proposal aims to solve wealth inequality by outlining a **simple and fair tax solution** that can achieve the following goals:

1. Significantly **reduce the lower and middle class tax burdens**
2. Implement a **progressive and reasonable tax on accumulated wealth**
3. Generate higher revenue stream to **decrease the national debt**

The hope is that these principles will **gain popular support and serve as a compelling platform** for future campaigns.

Current State of Affair:

Currently, the **working class suffers heavily from the rapidly widening wealth inequality**. The adverse effect of having such drastic inequality leads to **inflation without wage growth, reduced availability of housing units, increasing rent and house prices, increasingly unaffordable healthcare and immense wealth influence over the government**. The **bottom 90% only holds 32.8% of the nation's wealth while the top 10% holds roughly 67.2% of total net wealth ($107.5 trillion)**, and even further, the **top 1% holds 30.8% of the wealth ($49.2 trillion), indicating significant concentration at the top.**



The contributing factors to this inequality can be listed as followed:

- **Current tax models are regressive:** Current tax model causes **lower classes to pay disproportionately higher amount** of money compared to their net worth
- **Assets can appreciate far better than cash:** Lower class people generally don't have disposable income to invest with, holding mostly cash, which **loses value due to inflation**. Meanwhile, wealthier people can simply park their money into **investment vehicles that far outpace inflation** such as stocks and real estate.
- **Unrealized gains are not taxed:** Excess wealth can simply be invested into assets, which **passively generates more money** for the investor without being taxed until sold.

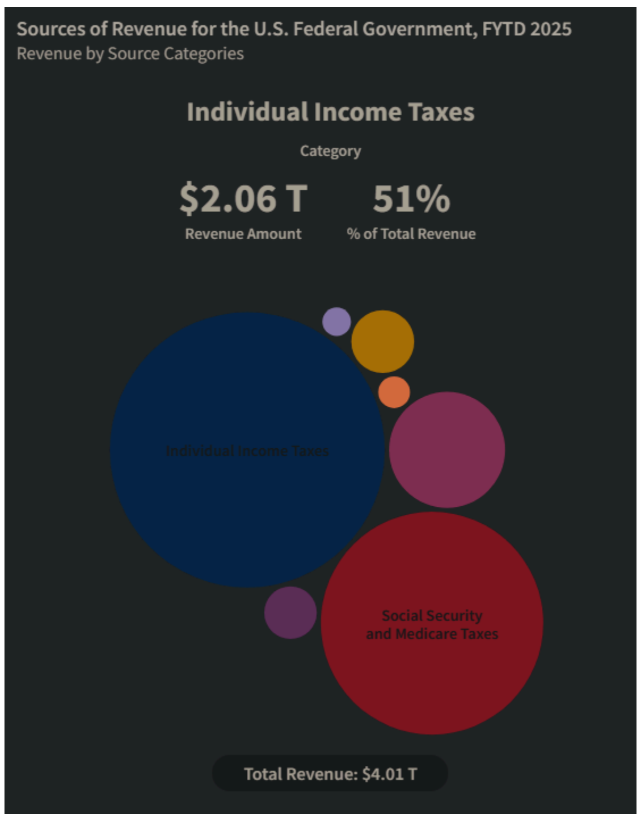
These conditions enable the wealthy to utilize the **Buy, Borrow, Die** strategy. This practice has historically allowed the wealthy to **amass and transfer immense fortunes across generations with minimal to no tax liability**. The steps are as followed:

- **Buy:** Purchase and hold appreciating assets
- **Borrow:** Instead of selling these assets (which triggers capital gains tax), they **borrow money against the appreciated value** to fund their lifestyle or

investments, the **loans are not taxed** and the interests on these loans are tax-deductible
- **Die:** When the individual dies, the inheritor only needs to pay capital gain tax for gains starting from the original owner's death, **avoiding all appreciation throughout the original owner's life**. For example, if someone bought a property at $100,000, and that property appreciates to $1 million by the time they die, the $900,000 gain does not get taxed.

Proposal:

To design a simpler tax model that can relieve the burden on the lower classes, this model proposes the **complete elimination of income taxes**, which accounts for **$2.06 trillion**, or **51%** of the total federal revenue of **$4.01 trillion** in 2025. This model will not touch corporate taxes due to OECD, nor will it touch medicaid/social security.



The revenue from income taxes will instead be replaced with a much **simpler and effective progressive wealth tax**. The wealth tax will look as followed starting at **18 years old** (legal working age):

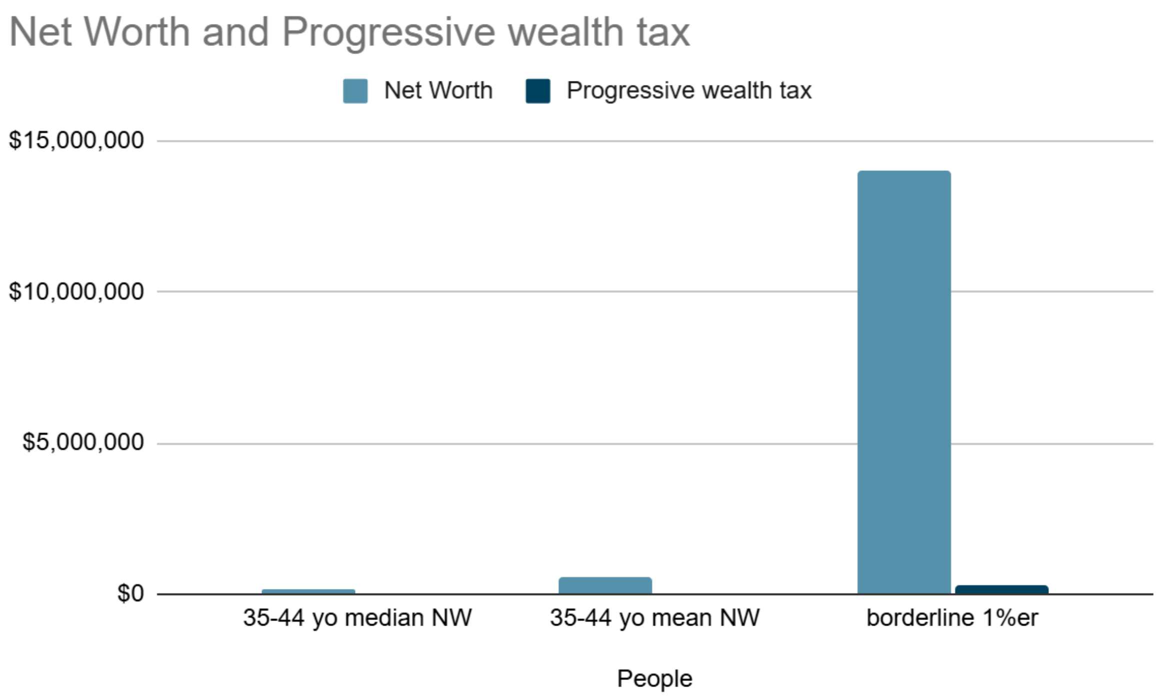
Net Wealth Range (USD)	Marginal Tax

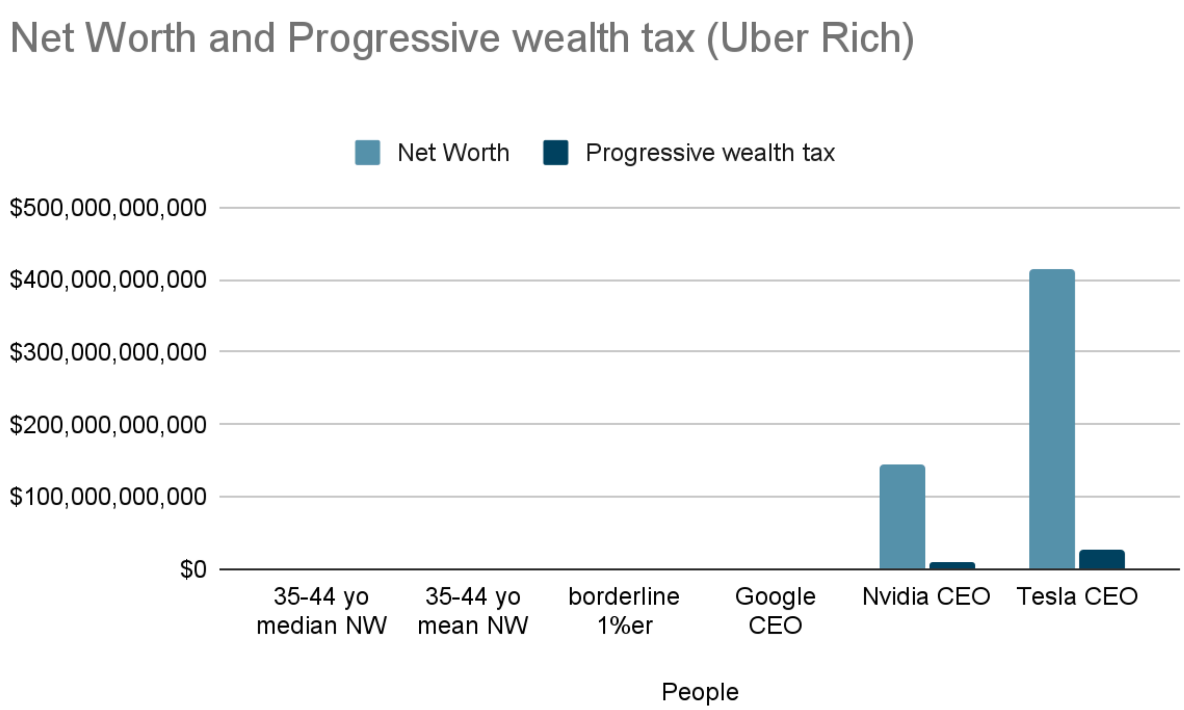
$0 to $1,000,000	1%
$1,000,001 to $10,000,000	2%
$10,000,001 to $100,000,000	3%
$100,000,001 to $1,000,000,000 (Up to $1 billion)	4%
$1,000,000,001 to $10,000,000,000	5%
$10,000,000,001 to $100,000,000,000	6%
$100,000,000,001 to $1,000,000,000,000 (Up to $1 trillion)	7%
Over $1,000,000,000,000 (Over $1 trillion)	8%

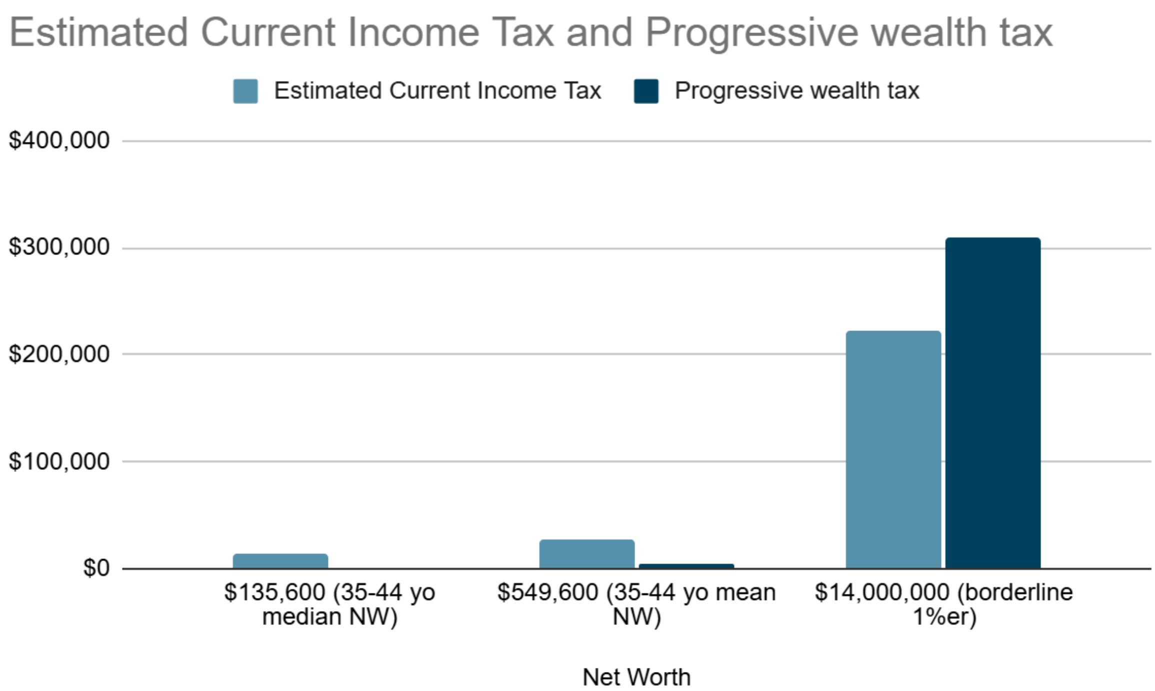
Calculator:
Progressive Wealth Tax Calculator

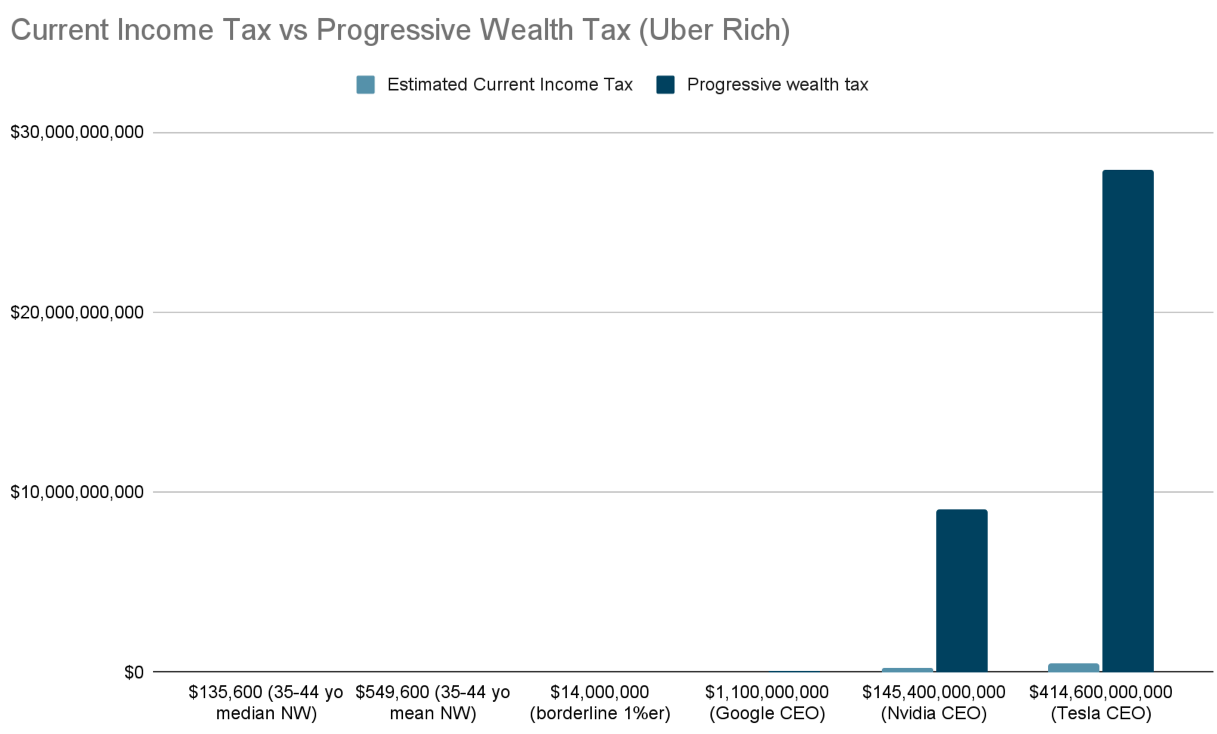
Sample taxes:

Net Worth	Estimated Current Income Tax	Progressive wealth tax (% change from current tax)
$135,600 (35-44 yo median NW)	$13,973	$1,356 (10%)
$549,600 (35-44 yo mean NW)	$26,642	$5,496 (20%)
$14,000,000 (borderline 1%er)	$223,333	$310,000 (139%)
$1,100,000,000 (Google CEO)	$25,077,918	$43,890,000 (175%)
$145,400,000,000 (Nvidia CEO)	$238,090,000	$9,066,890,000 (3808%)
$414,600,000,000 (Tesla CEO)	$476,090,000	$27,910,890,000 (5863%)


Net Worth and Progressive wealth tax
Net Worth
Progressive wealth tax
$15,000,000
$10,000,000
$5,000,000
$0
35-44 yo median NW
35-44 yo mean NW
borderline 1%er
People


Net Worth and Progressive wealth tax (Uber Rich)
Net Worth
Progressive wealth tax
$500,000,000,000
$400,000,000,000
$300,000,000,000
$200,000,000,000
$100,000,000,000
$0
35-44 yo median NW
35-44 yo mean NW
borderline 1%er
Google CEO
Nvidia CEO
Tesla CEO
People





The estimated current income taxes are estimated by AI due to lack of publicly available data, assuming these numbers are close, there's a **massive disparity between how much the upper classes are currently paying and how much they should owe** under the progressive wealth tax model. It’s also worth noting that this tax model **breaks even around $11-13 million networth**, so any individuals worth less than that will definitely be **saving money** under this new tax model.

Assuming **Elon Musk’s $11 billion dollar tax in 2022** (one of Tesla’s most lucrative years) due to stock sales is true, he is still **not paying nearly half as much** as he should under this new model.

The following table shows the calculation breakdown when the **progressive wealth tax model is applied to all US households, yielding ~$4.06 trillion**.

Wealth Range	Approx. Total Wealth	Marginal Rate	Estimated Tax Collected
$0–$1M (bottom 50%)	$3.2 trillion	1%	$32 billion
$1 M–$10 M (next 49%)	~$85 trillion	2% on wealth above $1M	~$1.68 trillion
$10 M–$100 M (upper of next)	~$20 trillion	3% on wealth above $10M	~$0.6 trillion
$100 M–$1 B (within top 1%)	~$10 trillion	4% on wealth above $100M	~$0.4 trillion
$1 B–$10 B (ultra top)	~$5 trillion	5% on wealth above $1B	~$0.25 trillion
> $10 B (super-ultra rich)	~$1.6 trillion	6–8%	~$0.12 trillion
Total (approx.)	**~$160T**		**~$4.06 trillion**

Result of proposal:

The projected revenue generated from this tax, based on AI-driven analysis, is estimated to be **approximately $4.06 trillion**. This figure far **outweighs the current $2.06 trillion income tax revenue by an outstanding 202%**. By making the proposed tax model swap, we would not only offset the foregone revenue, but also end up with a

substantial surplus. These excesses can go into **paying off our national debt and other government endeavors.**

One of the most significant impacts of this new tax model is the **direct neutralization of the "Buy, Borrow, Die" strategy**, since this tax will ensure that unrealized gains are also subject to taxations.

This model would result in a **huge relief for the lower and middle class families** (up to 90% reduction in tax for the median individual), allowing them to **live comfortably, afford kids and also have the breathing room to invest their money**, whether that's into education or stock market. Ultimately, this gives the **bottom 90% a chance to catch up** and make it in this overwhelming world of finance.

For the wealthy, these taxes are very reasonable in comparison to the massive wealth they've **acquired from thriving in the US**. In modern times, where there is a **growing awareness of extreme wealth disparity**, followed by **violence against the wealthy and those in power**, some kind of **negotiation or balance needs to be achieved** between the classes. This model offers an **opportunity for the wealthy to pay their fair share** and ultimately **quell the resentment** towards them, while still allowing them to **retain an immense portion of their wealth.**

Counter-arguments:

- **Capital Flight:** Wealthy individuals and their assets are highly mobile. A substantial wealth tax could incentivize them to move their wealth or even their residency to countries with more favorable tax regimes, shrinking the taxable base.
    - For the wealthy, the USA continues to be one of the **best countries to live in in terms of quality of life, security and prosperity**. There are too few countries they can emigrate to that would outweigh the desire to avoid tax
        - Few countries that may compete are Switzerland, Singapore, UAE, but they **do not offer the level of connections and market** that the wealthy have embedded themselves in within the USA
    - **USA enabled the rapid growth of wealth** to begin with, whether due to domestic talent/lack of regulations/high consumptions, **billionaires cannot thrive nearly as well anywhere else**: USA houses **902 billionaires** out of the 3000 in the world
    - **The US currently has a large exit tax** (can be up to 20-30% of their overall holdings), which will most definitely be a **bigger hit than the meager ~5% tax annual where their wealth can still grow**

- **Liquidity Issues:** Much of the wealth of the super-rich is not held in cash but in illiquid assets. Forcing annual sales of these assets to pay taxes could disrupt markets and be economically inefficient.
  - The market should hold the values of these stocks at their **backed valuation** (ideal state). Current state is that stocks are almost **entirely speculative** because the wealthy have vast **majority of marketshares/wealth to manipulate the market with**
  - **Forced gradual sell-offs** can alleviate this concern, maybe **collect taxes on a quarterly basis for founders/owners**
  - More people having i**ncreased disposable income** will result in **more market participation** overall, creating a more **diverse market** where all the money aren't just parked within the Mag 7 stocks

- **Avoidance and Evasion**: Despite the "no loopholes" intent, new forms of tax planning and potential evasion strategies often emerge in response to new taxes.
  - Continuous funding of IRS and lawmakers to **close out any possible loopholes** will be needed, it's important to **keep iterating** in this aspect.

- **Asset Valuation:** Accurately valuing all assets (especially illiquid ones like private businesses, art, and complex financial instruments) annually is extremely difficult, costly, and prone to disputes. This could lead to lower valuations and thus lower revenue.
  - Perhaps this is an opportunity to **open up a whole sector of tax auditors/valuators**. Ones that can help determine the valuation of these "niche" assets. This could maybe just be a department/agency within the IRS.
- **Administrative Burden:** Implementing and enforcing such a comprehensive wealth tax would require a massive expansion and retooling of tax agencies like the IRS, demanding significant new resources and expertise.
  - We should fund the IRS, and the **IRS should focus on the top 10% individuals** to make sure that the taxes are being paid. There is **less need to audit the vast majority** of people with less than $1 million net worth since their contributions won't be as significant