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### Black Lives Matter Targets The Tax Code

Black Lives Matter activists are calling for [tax reform](#) with the release a [detailed economic policy platform](#). It includes proposals to reconstruct the economy. The following is a portion of [the report](#), which calls for a progressive restructuring of tax codes at the local, state, and federal levels. Its goal is to ensure a radical and sustainable redistribution of wealth.



A "Black Lives Matter" banner hangs at the main entrance of City Hall Thursday, July 21, 2016, in Somerville, Mass. (AP Photo/Steven Senne)

#### What is the problem?

- There is a desperate need to replace the current practice of collecting revenue in regressive ways with a more just system for collecting taxes.
- Across the United States, there are major political obstacles to raising any kind of revenue.
- As with most faults in our economic and political systems, regressive taxation has hit Black people, low-income people, and people of color the hardest.

- Many municipalities have resorted to privatization and new taxes and fees in order to save money and generate more revenue. As a result, residents are being forced to pay more for services like trash collection, sewage, public property maintenance, parking meters, and to pay new taxes on a variety of everyday goods.
- A recent study conducted by the Institute on Taxation and Economic Policy found that when one combines all the state and local income, property, sales and excise taxes that Americans pay, the nationwide average of effective state and local tax rates are 10.9% for the poorest fifth of taxpayers, and 5.4% for the wealthiest 1%.
- In the ten states with the most regressive tax structures, the poorest fifth pay up to seven times as much in taxes and fees as the wealthiest residents, as a percentage of their income.
- While states sometimes shift the cost of some services onto poorer residents, at other times they simply cut services all together. Many municipalities have had to increase public school class sizes, shorten school days, close vital city offices, and eliminate a huge number of public sector jobs.
- As the wealthiest Americans and most powerful corporations continue to evade their fair share of taxes, many programs and initiatives that could contribute to racial and economic justice go underfunded or unfunded.

### **What does this solution do?**

- Taxing income:
  - Raise marginal tax rates for high earners, specifically the top percentile (for equity and revenue generation reasons —they pay more than 40% of federal income tax revenue, yet their average rate has been reduced to around 20%) and begin by gradually raising the top marginal rate first to 50% and then up to 80%.
  - Remove income caps on payroll taxes that fund social security and unemployment insurance.
  - Raise corporate income taxes, especially on large corporations and end tax deferral for foreign income of multinational corporations.

- Taxing wealth:
  - Increase taxes on capital to the point where they are higher than taxes on labor, as wealth inequality is greater than income inequality. Specifically:
    - Increase capital gains tax
    - Create anti-speculation tax on property transfers
    - Increase estate tax
    - Have states shift to an income-sensitized property tax that focuses on homes above a certain threshold and second homes
    - Impose a wealth tax (on tangible and financial assets)
- Taxing undesirable activities:
  - Taxing “bads” not “goods”: shift from sales taxes to taxing externalities such as environmental damage where it is difficult to eliminate the damage through regulation, and make this approach income-sensitized to hold low-income people harmless.
  - Create a Tobin tax for international financial transactions, especially for currency speculation.
  - Assess and eliminate tax expenditures such as mortgage reduction, health insurance exemption, etc.
  - Make low-wage employer fees or payroll tax rate proportional to wage disparity.
  - Expand the earned income tax credit.

- Provide a universal child tax credit.
- Create mechanisms for sharing tax revenues between localities.

**Federal Action:**

- Create a federal working group or commission to propose a full scale overhaul on tax policy that increases equity, and is particularly sensitive to racial equity.
- Develop and pass omnibus tax reform legislation in accordance with racial equity goals.
- Expand progressivity of federal income taxes by creating more tax brackets and a wider spread in rates between the lowest and highest brackets.
- Eliminate all corporate loopholes.
- Increase taxes on private wealth and corporate income and wealth.

**State Action:**

- Each state should create a working group or commission to propose full-scale tax reform consistent with racial equity goals, and then create and enact implementing legislation.
- Expand state income taxes and return the revenue to the municipal government from where the taxes are collected.
- Lift tax caps and eliminate corporate subsidies and giveaways on property taxes.
- Implement tax-base sharing across municipalities to facilitate growth and reduce inequality.
- Expand progressivity of federal income taxes by creating more tax brackets and a wider spread in rates between the lowest and highest brackets.
- Eliminate all corporate loopholes.
- Increase taxes on wealth.

**Local Action:**

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

- Expand Earned Income Tax Credits to ease the burden of regressive revenues, such as fees and sales taxes, on the poorest citizens.
- Eliminate corporate tax breaks at the city level, particularly Tax Increment Financing and Business Improvement Districts.
- If municipal income taxes exist, expand progressivity by creating more tax brackets and a wider spread in rates between the lowest and highest brackets.
- Apply conservation pricing so lower-income households pay a lower rate and bulk users — such as commercial and industry — pay higher rates.
- If possible, charge different rates of property tax for residential and commercial and industrial properties with higher rates for higher value land, such as a “mansion tax.”
- Provide fixed-dollar exemptions rather than percentage-based exemptions and implement “circuit breakers” so there is a limit on the percentage of income any resident pays in property taxes.
- Ally with community organizations to exert political pressure on large tax-exempt institutions to forge Payment in Lieu of Taxes (PILOT) agreements.

**How does this solution address the specific needs of some of the most marginalized Black people?**

- Tax policy is so regressive that these solutions will particularly benefit the lowest income families, which are disproportionately single Black women with children.

*For alerts to future tax articles, email me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not legal advice.*