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## **Taxing Wealth At The Very Top**

### **Time For A Property Tax On All Forms of Property...Starting Now, State by State**

**by Gar Alperovitz**

Many advanced industrial countries tax not only income but wealth—including especially stocks and bonds, the most highly concentrated form of wealth. The United States does not. Is there any way to reverse this situation?

The ownership of financial and business wealth is almost Medieval in nature, so highly concentrated is the picture at the very top: A mere 1% owns just a bit under half of all such wealth in the United States!

Many observers have suggested this situation must ultimately be addressed. Yale Professors Bruce Ackerman and Anne Alstott, for instance, have proposed a 2% tax on wealth, Colgate University professor Thomas Michl has proposed a general net-worth tax, and Hofstra Law professor Leon Friedman has urged 1% tax on wealth owned by the top 1%.

Kevin Phillips and Jeff Gates have also urged that wealth taxation must now be put on the American agenda. Robert Kuttner adds that a wealth tax is “by definition, the most progressive way to raise revenue, since it hits only the very pinnacle of the income distribution.” Even Donald Trump a few years ago proposed a one time net-worth tax of 14.25% on Americans with more than \$10 million in assets.

Economist Edward Wolff points out that European practice offers a range of practical options—with most imposing a tax between 1 and 2.5 percent and all exempting a reasonable amount of wealth for those not among the top groups. One recent estimate is that if the upper range of such taxes were implemented in the United States, they might yield up to \$450 billion a year.

The real question is how to put the issue on the political map, and then move it forward, step by step over time. The obvious way to do so is to begin at the state level, and lay groundwork, state by state, in a manner that both helps solve state fiscal problems and simultaneously establishes precedents for future national action.

Currently the only state with a wealth tax (which it calls an “intangibles tax”) is Florida, along with certain counties in Pennsylvania and Kansas. However, many states have used such taxes in the past—including Connecticut, Georgia, Kentucky, Michigan, North Carolina, Ohio, and West Virginia.

A sense of what might be possible is suggested by research recently undertaken in Washington state by the Economic Opportunity Institute. This estimated that a 0.5% tax on wealth in that state (after exempting the first \$1 million) would yield \$477 million in annual revenue. If the exemption were lowered to \$30,000, revenues would rise to an estimated \$1.2 billion.

There are reasons to believe that taxes which sharply delineate between the vast majority and privileged elites at the very top are becoming increasingly viable politically—especially given the fiscal problems facing many states. In November 2004, for instance, California voters overwhelmingly approved tax increases for people making more than \$1 million, and earmarked the proceeds for mental health programs.

New Jersey has also enacted legislation taxing those making more than \$500,000—and allocated the revenues to offset property taxes that fall disproportionately on the middle class and the poor. In Connecticut, a recent poll found 77 percent of voters, including 63 percent of Republicans, in favor of a tax on those making more than \$1 million.

Even more interesting is a 2006 proposed initiative in California which would tax the top 1 percent (individuals making more than \$400,000 and couples making more than \$800,000) and would allocate the revenues to pay for quality preschool for all four-year-olds.

State wealth taxes which also target those at the very top (and could benefit up to 97-99 percent of the population!) simply take this populist trajectory to the next logical stage. They could be put forward as tax proposals on their own, or in a manner which linked the revenue produced to other important programs.

We rarely pause to reflect on the fact that for the most part the only wealth we tax directly in America is real property—in the main home ownership, the wealth holding that is common to the vast majority. Taxation of real estate, moreover, is based upon the value of the asset in general—not the value of an individual's equity: An owner of a \$200,000 home will be taxed on the full value of the asset, even if her actual ownership position (with a mortgage debt of, say, \$190,000) is only one-twentieth this amount. Meanwhile we do not tax stocks and bonds directly.

One way to think about wealth taxes is that they are simply a property tax applied to all forms of property—including the kind of property which is heavily concentrated among the elites. Accordingly, a particularly interesting strategy might be to use the proceeds of state wealth taxes to directly help offset property taxes on low and moderate income families.

Although wealth taxes are constitutional in virtually all states and can be put on the agenda immediately, some conservatives have suggested that a federal wealth tax might be unconstitutional. It is worth noting, accordingly, that the legal issues involved have been effectively answered in major studies by Yale's Bruce Ackerman and others.

Even if a conservative Supreme Court were ultimately to rule against such a tax, however, as in the case of the current income tax (which was once deemed unconstitutional), the fight for change could help reinvigorate progressive politics—starting at the grass-roots level and building forward, state by state, to establish foundations for ultimate longer term system-wide change.

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