



expanding economic opportunity

# Wealth Inequality, the Tax Code, and You

Ezra Levin, Corporation for Enterprise Development (CFED)

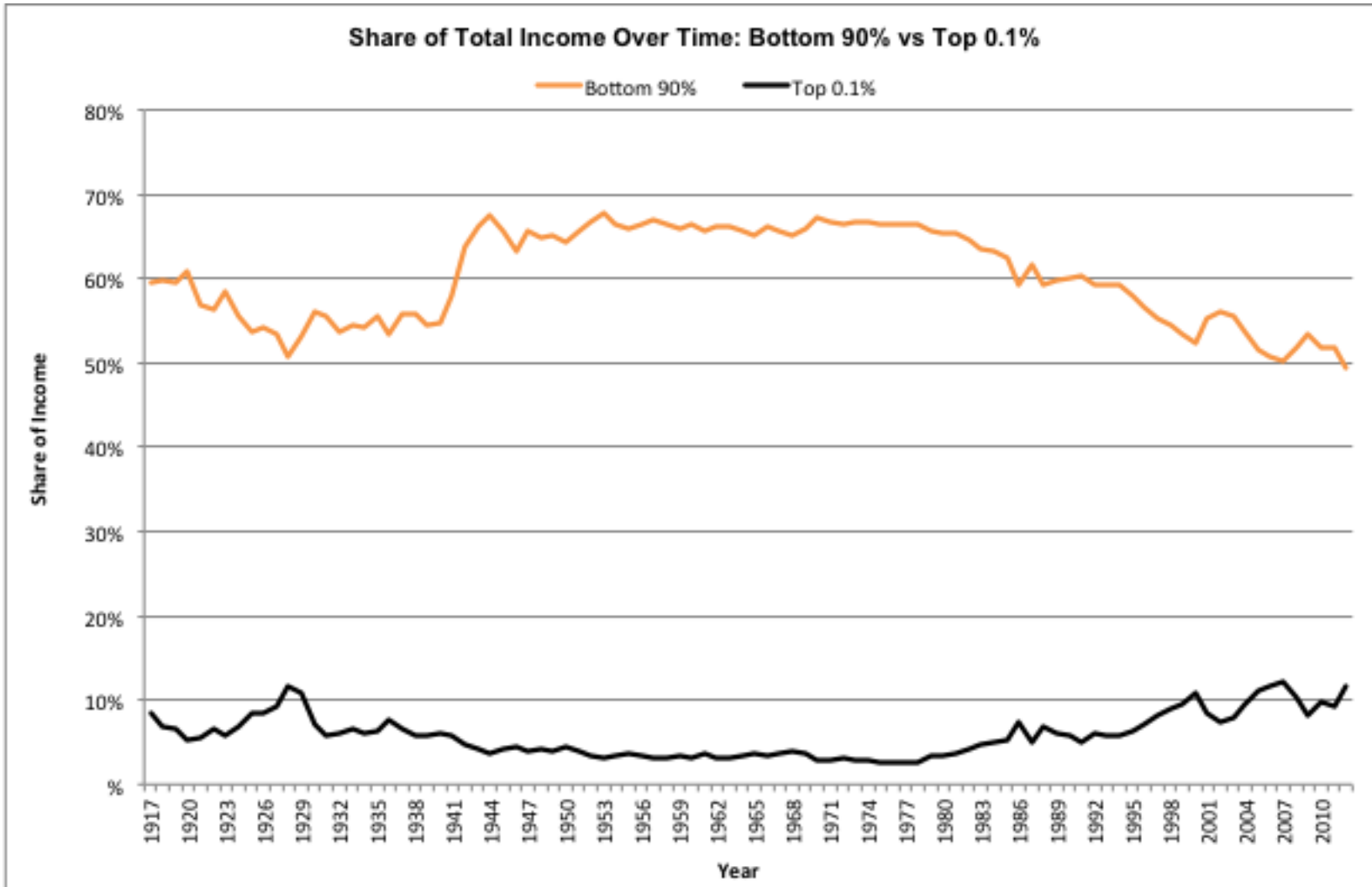
*Family Economic Security Partnership (FESP), July 21, 2016*

[www.cfed.org](http://www.cfed.org)

# On the Agenda

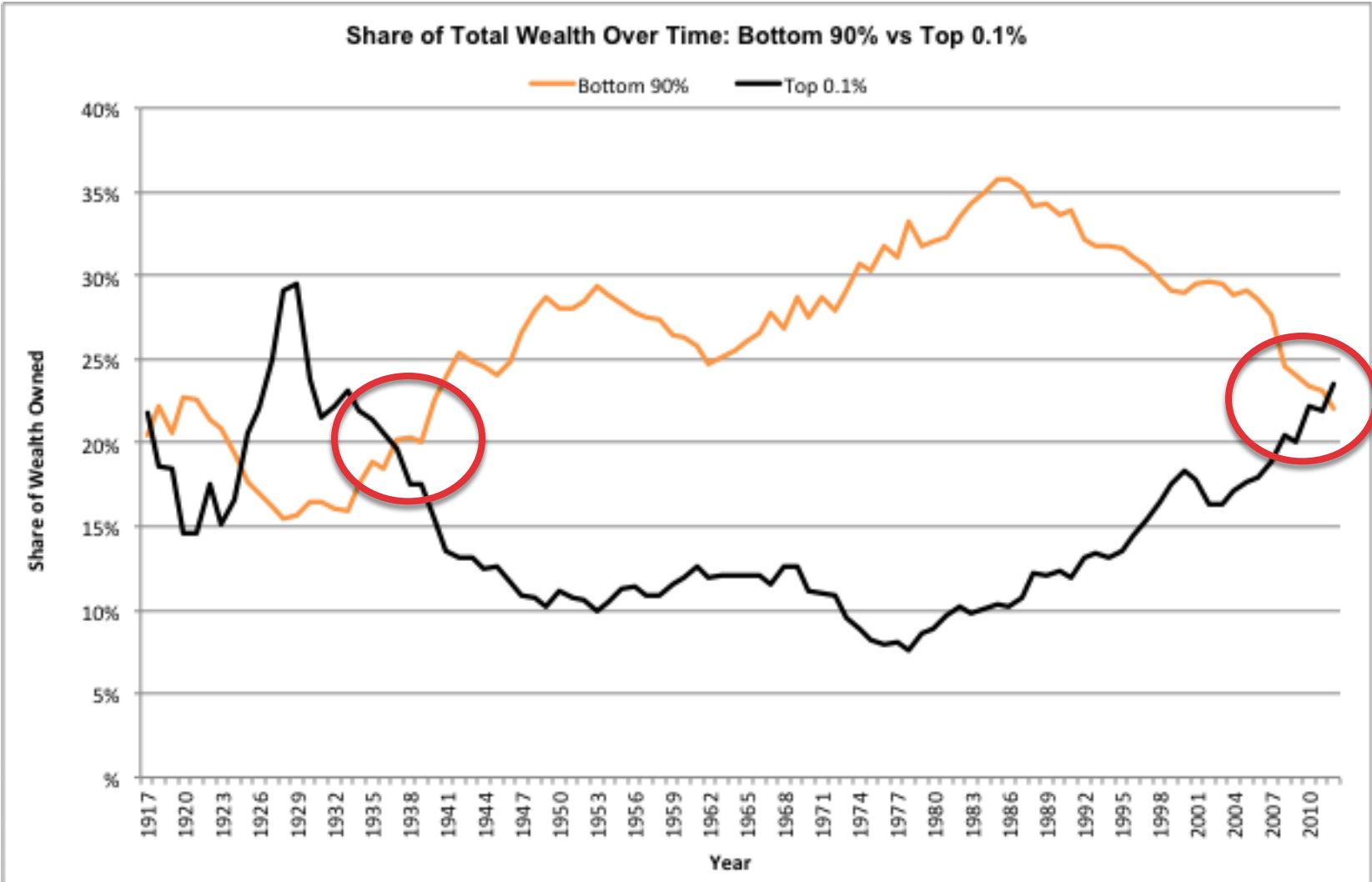
- 1. A quick note on wealth inequality**
- 2. What are tax expenditures?**
- 3. How big are they?**
- 4. Who benefits?**
- 5. What can we do about it?**

# Income Inequality



Source: World Top Incomes Database

# Wealth Inequality



Source: Saez & Zucman, 2014

# What's a Tax Expenditure?



**“Backdoor spending through the tax code.”**



**“Spending in disguise.”**



**“No different from any other federal program that spends taxpayer money.”**

**WHAT'S A TAX EXPENDITURE?**

**Eric Toder**  
Institute Fellow and codirector of the Urban-Brookings Tax Policy Center  
Clinton Treasury Department

**Leonard Burman**  
Director of the Brookings-Urban Tax Policy Center  
Clinton Treasury Department

**Tom Coburn**  
Conservative Republican Senator from Oklahoma

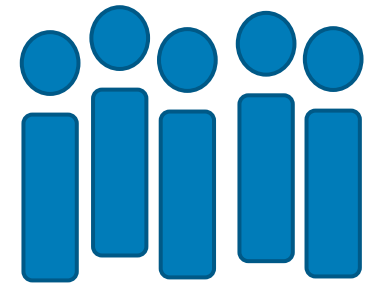
**Donald Marron**  
George W. Bush Council of Economic Advisors  
Congressional Budget Office, Joint Economic Committee

**visit [turnitrightsideup.org](http://turnitrightsideup.org)**

**TURN IT RIGHT SIDE UP**  
FIGHTING INEQUALITY. BUILDING OPPORTUNITY.

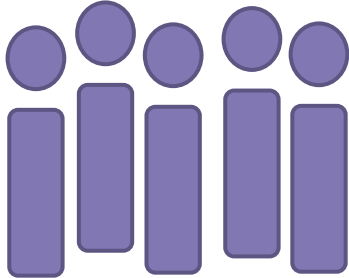
# Housing Example: Tax vs Budget Spending

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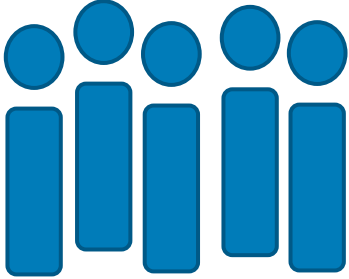


**Low-Income Renters**

# Housing Example: Tax vs Budget Spending



**High-Income Homeowners**

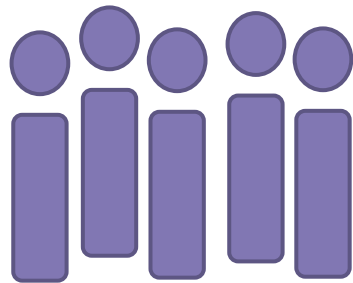


**Low-Income Renters**

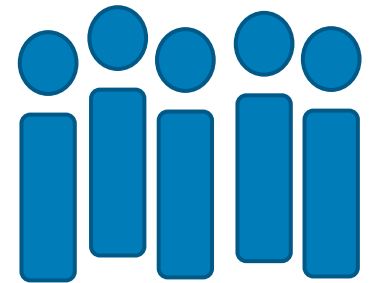


# Housing Example: Tax vs Budget Spending

Government Income Tax Revenue



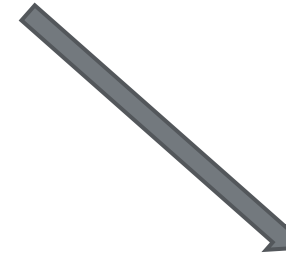
High-Income Homeowners



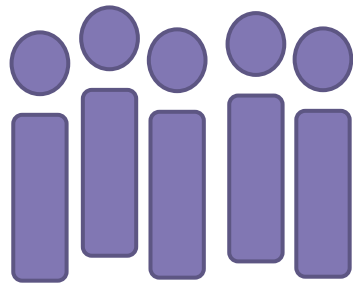
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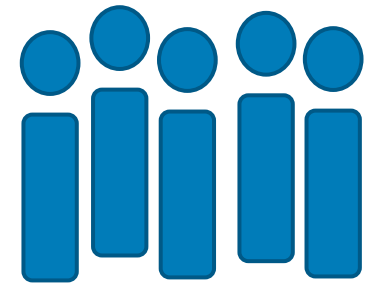
Government Income Tax Revenue



E.g: Section 8 Vouchers



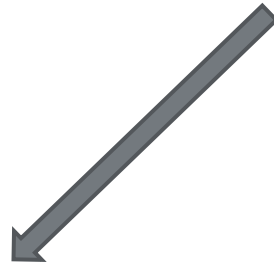
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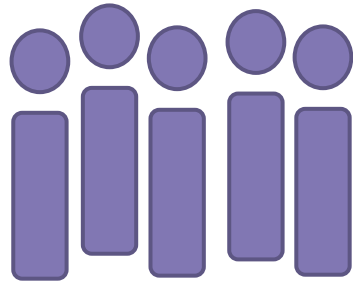
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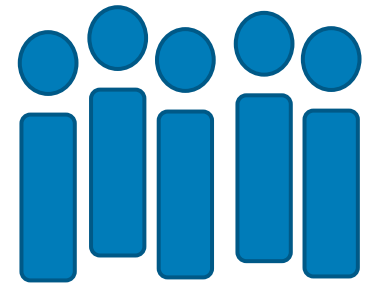


E.g.: Mortgage Interest Deduction



High-Income Homeowners

E.g.: Section 8 Vouchers



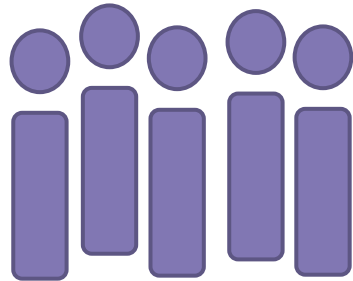
Low-Income Renters

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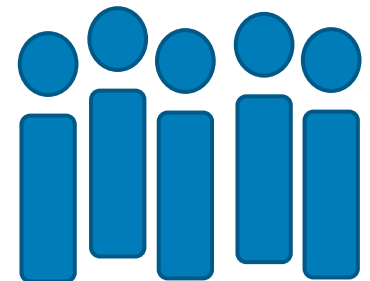


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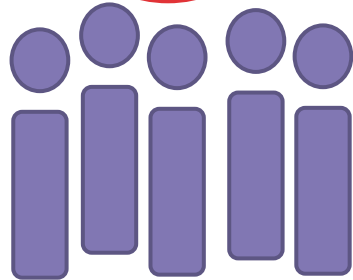
**SAME RESULTS**

# Housing Example: Tax vs Budget Spending

Government Income Tax Revenue



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**SAME RESULTS**



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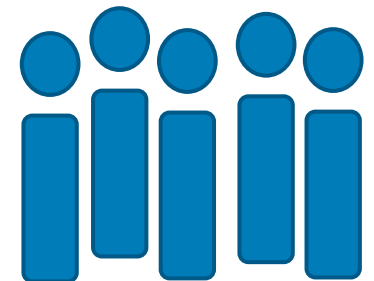
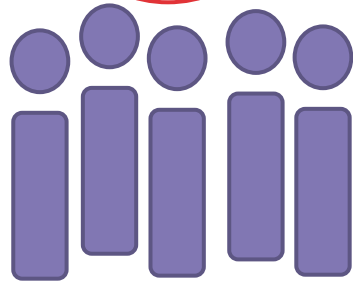
Government Income Tax Revenue



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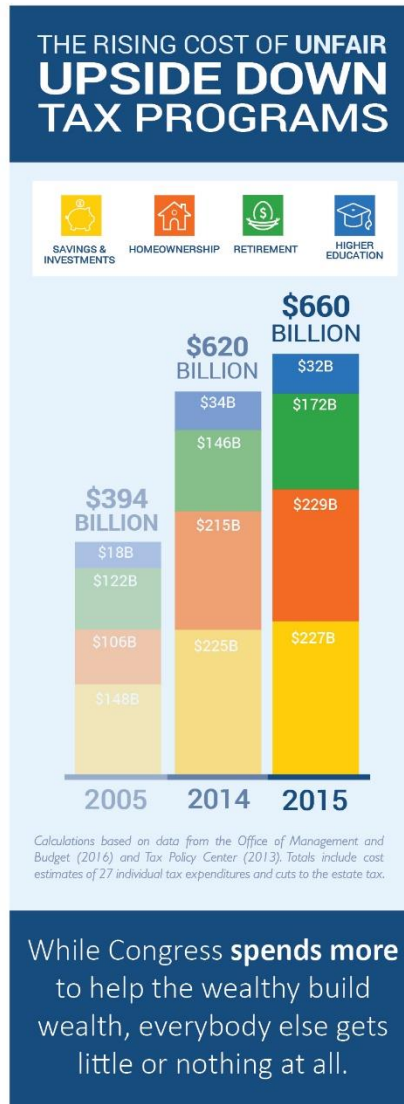
**SAME RESULTS**



High-Income Homeowners

Low-Income Renters

# Tax expenditures for building wealth





# Sample of Discretionary Budget Programs

- Food Safety and Inspection Service
- USDA Rental Assistance Program
- Rural Housing Assistance Grants
- WIC
- Census
- Minority Business Development
- Indian Student Education
- USDE Special Education
- Student Aid Administration
- Institute of Education Sciences
- National Nuclear Security Administration
- Federal Energy Regulatory Commission
- Strategic Petroleum Reserve
- LIHEAP
- Refugee and Entrant Assistance
- Child Care and Development Block Grant
- Children and Families Services Programs
- Aging Services Programs
- Indian Health Services
- National Institutes of Health
- Federal Air Marshals
- Immigration and Customs Enforcement
- FEMA
- Public Housing
- Section 8
- Choice Neighborhoods
- HOPWA
- Community Development Block Grants
- Homeless Assistance Grants
- Housing for the Elderly
- Bureau of Land Management
- US Fish and Wildlife Service
- National Wildlife Refuge Fund
- Oil Spill Research
- National Park Service
- FBI
- Drug Enforcement Administration
- Federal Prison System
- Juvenile Justice Programs
- Community Oriented Policing Services
- Training and Employment Services
- Office of Job Corps
- Occupational Safety and Health Administration
- Diplomatic and Consular Programs
- Contributions for International Peacekeeping Activities
- National Endowment for Democracy
- Global Health Programs
- Migration and Refugee Assistance
- Bureau of Engraving and Printing Fund
- United States Mint
- Taxpayer Services
- Veterans Health Administration



# Spending on Housing

## HOMEOWNERSHIP TAX PROGRAMS — ARE MUCH BIGGER THAN — RENTAL ASSISTANCE PROGRAMS

 = \$10 BILLION









**Source:** Author's tabulations based on Office of Management and Budget (2015) and Heritage Foundation (2012). Heritage rental assistance program costs updated to FY2015 spending levels.

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# Who benefits from housing programs?

## UPSIDE-DOWN SPENDING ON HOMEOWNERSHIP TAX PROGRAMS

Numbers of Homeowners Burdened by Housing Costs	HOUSEHOLD	Average Monthly Homeownership Tax Program Benefit*
7.8 Million	 <p>LOW-INCOME HOUSEHOLDS</p>	 <p>\$0.08</p>
3.6 Million	 <p>MIDDLE INCOME HOUSEHOLDS</p>	 <p>\$12</p>
0	 <p>MULTI-MILLIONAIRES</p>	 <p>\$1,236</p>

Income classes (in 2015 dollars): "Low-income," or bottom 20%, have income less than \$22,769; "Middle-income," or middle 20%, have income between \$44,590 - \$78,129; "Multi-millionaire," or top 0.1%, have income about \$3.47 million.  
 \* "Cost Burdened" indicates a household is paying more than 30% of monthly income on housing expenses.  
 \*\* Average yearly benefit (TPC model estimate) divided by twelve.

Source: Tax Policy Center (TPC) Microsimulation model estimates of Tax Benefit of the Deductions for Home Mortgage Interest and Property Tax, Author's tabulations of data from the 2013 American Housing Survey (AHS)

# Who benefits from housing programs?

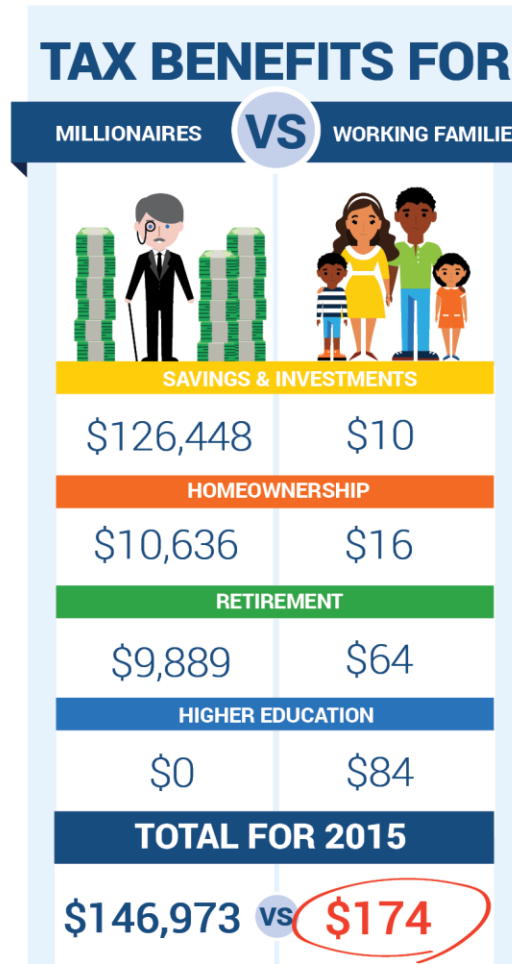
Average Annual  
Food Stamp Benefit



Average Annual Asset-Building Tax  
Benefit for Millionaires



# Who benefits from all tax programs?



Calculations based on data from the Urban-Brookings Tax Policy Center (2015). "Working Families" defined as those with \$50,000 or less in income. Dollar amounts reflect the average benefit in 2015 from several tax programs for tax units in the two income categories.

# Three Takeaways

- 1. Tax expenditures are government spending**
- 2. Spending on these tax programs far outweighs most other government welfare spending**
- 3. Much of this spending goes to the wealthiest, exacerbating wealth inequality**



# Right-Side Up Reforms

- 1. Children's Savings Accounts for Every Newborn**
- 2. Rainy Day Savings For Every Family**
- 3. Homebuyer/owner Support for Every Household**
- 4. Retirement Savings for Every Worker**