There are a number of ways the tax code fails women—including failing to collect revenue to fund gender and racial justice priorities. Lopsided tax breaks for wealthy households and corporations have undercut investments in child care, paid family and medical leave, and other important tools to advance gender equality.

But there’s another powerful, and lesser-known, effect: Tax policy influences the choices of people and corporations make, before even a cent of revenue is collected. Policymakers’ actions to cut taxes for the wealthy and corporations enable—and in some instances encourage—those with the highest income and most capital to accumulate outsized power and wealth, with negative downstream effects for women.

The tax code exacerbates gender and racial wealth gaps. Many provisions in the tax code reward wealth-building by the already wealthy while leaving out women, people of color, and families who are struggling to make ends meet.

Women face historically rooted and compounding barriers to building wealth. Women tend to be paid less than men because of workplace bias, occupational segregation, and the undervaluing of women’s work. Women also do the lion’s share of caregiving, which makes it harder to accumulate wealth during their working years. Moreover, women of color are significantly less likely to obtain wealth through inheritance.

The tax code amplifies gender and racial wealth disparities by preferencing income from wealth over income from work. The tax code’s preference for income from wealth over income from work allows the very wealthiest in our society—disproportionately white men—to pay lower effective tax rates than what workers—disproportionately women of color—pay on their wages. One example is the taxation of “capital gains”—or the increase in value of a capital asset like a share of stock or real property. The capital gains tax has a lower rate than income from work, does not apply until an asset is sold or transferred, and gives a pass to inherited assets. Another example is historically low taxes on inherited wealth through the estate tax. A couple can pass on $22.4 million to their heirs without paying a single dollar in taxes. Yet, women and people of color are less likely to receive inheritances due to a long history of discrimination and wealth-stripping.
• Low taxes for the wealthy and corporations widen pay and power disparities between executives and workers.
  o Low effective income tax rates on richer households widens pay and power disparities between executives and poorly paid workers. There is emerging evidence that lowering the top marginal tax rate on the highest-paid employees encourages them to bargain for, and in the end, extract more of the firm’s earnings. Men are more likely to serve in high-paying executive and other senior-level positions than women (and even more so compared to women of color). In contrast, women, especially women of color, are disproportionately represented in poorly paid jobs.
  o The tax code plays a role in encouraging predatory financial practices that negatively impact women. The tax code’s preferential treatment of debt has encouraged a type of financial firm known as “private equity” to play an increasingly extractive role in our economy, including buying up brick and mortar stores and then forcing them to issue extensive amounts of debt. This trend has been especially harmful for sectors like retail, which employ many women workers. Ten of the 14 largest retail chain bankruptcies since 2012 were at private equity–acquired chains. A recent study found that women have lost jobs in the “retail apocalypse” over the past year, while men have had a net gain in retail jobs.

• We need to stop our tax laws from perpetuating and exacerbating structural racial and gender inequality by:
  o Raising top marginal tax rates;
  o Taxing capital like work;
  o Restoring meaningful taxation on dynastic wealth; and
  o Funding the Internal Revenue Service to ensure the wealthy and corporations can’t cheat the system.

It is time for us to realize the tax code’s potential as a tool for racial and gender equity. We can harness the power of the women’s movement to ensure that tax justice is gender justice is racial justice.