Extreme wealth inequality harms women, communities of color, and all of us. Because of longstanding and continuing inequities, women and people of color are more likely to have to work rather than live off their wealth. For example, for every $1 of wealth owned by a single white man, a single Black woman or Latina owns 9 cents. Lack of wealth makes it harder for women and families to weather emergencies, provide for their needs, and pursue economic opportunities. When those at the very top accumulate and hoard excessive wealth, it slows economic growth. Further, concentrated wealth grants the super-rich outsized political power, which they use to secure policies that benefit them—and defeat policies that would support working people.

But it doesn’t have to be this way. We can tax wealth more equitably and advance racial and gender equity. Policy solutions include:

**Taxing Income from Wealth like Income from Work**
- People who live off income from their wealth (like dividends or capital gains) pay a lower top tax rate compared to income from work. For example, capital gains, which are the increases in the value of assets and investments, are subject to tax when the assets are sold, but at a top rate of 20 percent, while the top marginal rate on income from labor is 37 percent. We can raise the capital gains rate to more fairly tax this income from wealth.
- Taxes on capital gains are only due when the assets are sold. If the assets are not sold and instead are passed down to the next generation, all of the gains are wiped out for tax purposes, meaning that they are never taxed. We can end the stepped-up basis loophole and tax these gains at death.
- Another option would be to tax capital gains annually, rather than only when the assets are sold, for those with very large fortunes. This would ensure the wealthiest pay some tax on the income from their wealth every year, instead of being able to avoid these taxes indefinitely. A proposal from the Biden administration is estimated to raise $361 billion over 10 years.
- These proposals would advance racial and gender equity because women and people of color are less likely to own stock and other capital assets, and are more likely to derive their income from work. As a result, women and people of color are less likely to benefit from the tax code’s preferential treatment of capital gains. And revenue from these policies could be invested in women and families.

**Taxing Wealth Directly Through a Wealth Tax**
- The federal tax system generally does not tax wealth—accumulated assets and investments—only income from wealth. This enables the rich to accumulate huge amounts of wealth, and furthers race and gender wealth gaps.
- A federal wealth tax would directly tax the wealth owned by the very richest, every year. This tax would apply to...
only the largest fortunes, and would be calculated based on net worth (the total value of assets minus any debts). One proposal to tax wealth over $50 million annually is estimated to raise at least $1.9 trillion over ten years.

- A wealth tax would advance racial and gender equity because the highest amounts of wealth are disproportionately owned by white men. In addition to the significant gender and racial wealth gaps (see above), the 400 richest American billionaires have more total wealth than all 10 million Black American households combined. This means that wealthy white men primarily benefit from the failure to directly tax wealth. Revenues raised by directly taxing wealth, moreover, could support public investments that disproportionately help women and communities of color.

### Taxing Intergenerational Transfers of Wealth

- The estate tax, which is taken out of an estate when someone dies, is designed to break up large dynastic fortunes. The estate tax rate has been lowered over the years, while the exemptions were increased. In 2022, estates of $12.2 million ($24.4 million for married couples) are exempt from the estate tax, and many wealthy families take advantage of loopholes and tax shelters to reduce their estate tax bills as much as possible. We could strengthen the estate tax by returning the rates and exemption amounts to the levels that were in place in 2009, and targeting some of the most egregious loopholes. One proposal would raise an estimated $220 billion over ten years, which could be invested in women and families.

- Alternatively, we could implement an inheritance tax, which would tax those who inherit large sums of money, rather than the estates of the deceased. This would recognize that inheritance often provides additional, unfair advantages to the wealthy and white, and enables families to accumulate and hoard wealth across generations.

- More equitably taxing intergenerational transfers of wealth would advance racial equity in the tax code. White families are twice as likely to receive an inheritance as Black families, and that inheritance is nearly three times as large as Black families’; such that white families benefit more from preferential tax treatment of inheritance. Further, revenues from a more robust estate tax or inheritance tax could be invested in supports for women and communities of color.

These policies should be put together in a comprehensive package. Proposals must be carefully designed and coordinated to avoid creating more loopholes or incentivizing further wealth hoarding at the top. Policymakers should ensure that more tax data by gender and race (and other demographic characteristics) is made available, and consider the racial and gender implications of the tax policies they consider.

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Tax policy can be a powerful tool to increase racial and gender equity, if we are willing to unlock its full potential. For more information, read our report, *Advancing Gender and Racial Equity By Taxing Wealth*. More resources on how taxes are a racial and gender justice issue are available at [https://nwlc.org/resources/gender-and-the-tax-code/](https://nwlc.org/resources/gender-and-the-tax-code/) and [https://nwlc.org/resource/ttp/](https://nwlc.org/resource/ttp/).