Taxing the Rich Will Make the Tax Code More Equitable and Support Investments in Women and Families

By Amy Royce and Amy Matsui

Women, and especially women of color, have always been disadvantaged in this country’s economy. Systemic discrimination, including pay discrimination,1 low wages in women-dominated jobs,2 inequitable tax policies,3 discrimination in housing and education,4 and disinvestment in needed caregiving supports,5 continues to hold women back. This discrimination and additional injustices compound to drive the stark gender and racial wealth gap6—leaving women and their families susceptible to economic shocks and less able to weather emergencies or pursue their dreams and ambitions.

The COVID-19 health and economic crisis exacerbated gender and racial inequities7 and laid bare how much our entire economy relies on the unpaid and underpaid work of caregiving, performed mostly by women.8 Recovery has been uneven,9 with women, particularly women of color, being left behind.10

Much of the COVID emergency assistance has expired without enacting permanent solutions.11 Women’s essential work both in the formal economy and as caregivers held up the country during COVID, but policymakers have thus far failed to make the robust public investments in the care economy, affordable and accessible housing, and health care that women have long needed and deserved. The Supreme Court’s disastrous reversal of Roe v. Wade only increases deeply harmful economic risks and hardships.12

To ensure that women—and in particular, women of color—have the tools and resources they need to thrive in our economy, we must raise revenues that will support bold public investments in women and caregivers, families, and all of us.

The Inflation Reduction Act raised taxes on the wealthy and big corporations and invested in women, families, and communities—advancing racial and gender equity.

Our current tax code falls far short for women and families. Many elements of the tax code, such as the mortgage interest deduction and tax incentives for retirement and educational savings, favor wealthy, entrenched interests. These preferential tax policies are often described as being “upside-down”—they undermine the overall progressivity of the tax code by benefiting high-income households the most.13 Further, our current tax system incentivizes wealth hoarding, which exacerbates already massive gender and racial wealth gaps.14 Tax advantages for wealth further allow the wealthy to wield outsized political power, allowing their interests to take precedence over those that are broadly shared.15 And tax policies that benefit wealthy families and corporations deprive us of billions of dollars of revenues, even as lawmakers hesitate to enact policies that would help all of us,
stimulate economic growth, and enjoy broad public support —like comprehensive paid family and medical leave, universal child care, and support for older, ill, or disabled people to be cared for in their own homes—because of the price tag.

The Inflation Reduction Act (IRA), passed in 2022, showed us we can raise taxes on the wealthy and big corporations, and invest the revenues in ways that benefit the public as a whole. The IRA raised revenues by requiring profitable corporations, many of which currently pay no taxes at all, to pay a minimum amount of taxes and by cracking down on wealthy tax cheats. These policies will result in those at the top paying more of their fair share in taxes and will advance gender and racial equity in the tax code. These revenue raisers created fiscal space for the IRA to lower health costs and address the climate crisis.

The IRA represents a shift away from the failures of trickle-down economics and toward a fairer tax system and an economy that works for all of us. Decades of empirical evidence show economic failures of tax cuts at the top. In contrast to tax cuts for the rich, the IRA’s strategy invests in the workers and families who are the economy.

But we can’t stop there. The IRA’s approach can and should be replicated. Raising revenues at the top will make room for the investments women need and deserve so they and their families can afford the basics, access opportunity, and enjoy financial security: child care, home-and-community-based services, paid leave, affordable and accessible housing, health care, income supports, and more.

We need fewer billionaire vanity projects and more public investments.

**Policymakers have numerous options for raising taxes on the wealthy and corporations.**

Corporations and the wealthy have benefited from women’s underpaid and undervalued labor and from substantial government support and should pay a fairer share of taxes. Although the IRA made the tax code more progressive, the tax system still favors the wealthy and big corporations in many ways. And the tax code currently falls far short of its potential to support the public investments that women and families need to succeed in this economy.

A more equitable tax code that ensures the wealthy and corporations are paying more of their fair share will better help build a foundation for economic prosperity for women and people of color into the future. We should build on the IRA’s progress by allowing the Trump tax law’s giveaways to the wealthy and corporations to expire. And we should go further by strengthening the pre-2017 tax rules to require the wealthy and corporations to pay more of their fair share.

**Make sure the wealthy pay a fairer share.**

Tax policies that benefit the wealthy largely exclude women and families of color. Women supporting families on their own and people of color are underrepresented at the top of the income scale and overrepresented at the lower end. Moreover, women, especially women of color, are less likely to hold investment assets and thus less likely to benefit from tax policies that preference wealth. Women and people of color are also less likely to hold jobs that offer investment-based compensation, such as stock options on retirement savings matching, compared to white men. And, as mentioned above, single women and people of color tend to have significantly less wealth than white men.

For all of these reasons, making the wealthy pay a fairer share of taxes makes the tax code more equitable along gender and racial lines.

**Increase income tax rates for the wealthiest.**

The 2017 tax cuts lowered the top tax rate for income from work from 39.5% to 37%, a rate that was already low by historic standards, with promises that the wealthy would invest their tax savings in creating jobs. These promises were not borne out and instead wealth concentration has grown. At the very least, we should let the Tax Cuts and Jobs Act (TCJA) top income tax rate expire. Even higher top rates were seen previously in our history during times that corresponded with broad prosperity.

Additionally, a proposed “millionaires surtax” would increase tax fairness by ensuring those at the top who can afford to pay more are doing so. Notably, Massachusetts recently passed such a tax, dedicating the revenues for public education and transportation.

**Tax income from wealth like income from work.**

The way income from wealth is taxed currently fuels inequity in the tax code. Billionaires pay an estimated effective tax rate of only 8% annually, compared to higher rates for working people. And to the extent that income from wealth is taxed, those who own it often can control when and if those tax bills arise. There are numerous ways that income from wealth, such as interest or dividends, is generally taxed at a lower rate than...
the top marginal rate for income from work (20% compared to 37%). Raising the capital gains and dividends rate would ensure that income from wealth is taxed equitably compared to income from work.

In addition, while income from work is taxed regularly, capital gains are only taxed when assets are sold, putting those who live off their wealth in control of when their taxes are due. They can employ complex tax avoidance strategies or wait to sell until they have other financial circumstances that reduce their tax liability. Taxing these gains annually for the wealthiest, such as in President Biden’s proposed Billionaire Minimum Income Tax, would help correct this imbalance.

Wealthy individuals who hold on to their assets until they die and never sell them avoid taxation on their income from that wealth forever. When the next generation inherits, the gains are wiped out for tax purposes, and calculations begin again at zero—known as the “step up in basis” or “stepped-up basis.” This is one way generational wealth is concentrated and wealth inequality grows, as heirs are able to receive the benefit of assets that have grown in value over a lifetime without that growth ever being taxed. Wealthy families are able to exploit this tax regime by holding on to their assets and borrowing against the value to fund their lifestyles, a strategy known as “buy, borrow, die.” The stepped-up basis loophole should be repealed.

Tax accumulated wealth

At the federal level, taxation is based on income, and so wealth itself is generally outside the tax system. Failing to tax wealth advantages people who have already amassed great fortunes, some during times when opportunities were even more constrained by race and gender than they are today. Women and women of color are extremely underrepresented among those with the largest fortunes. Of the Forbes 400 richest Americans in 2021, only 56 were women and two were Black men. There were no Black women.

In addition to better taxing the income from assets and investments, we should be taxing wealth itself. (An annual wealth tax would need to be coordinated with tax policies that tax income from wealth, including capital gains.) A wealth tax would advance gender and racial equity by reducing the tax advantages enjoyed by the privileged few. Such a tax would raise significant revenue and would be, by definition, extremely progressive. Instead of exacerbating systemic advantages based on race and gender, a wealth tax would create greater revenue space to support investments to further broadly shared prosperity.

Tax intergenerational transfers of wealth

Inheritance is highly racially correlated and is a key driver of the racial wealth gap. White families are more than three times as likely to leave an inheritance, and that inheritance is nearly twice as much compared to Black families. In the 1920s, the estate tax was implemented to help stem high levels of wealth inequality, but it has not lived up to its promise. Instead, the estate tax has been weakened over time and is now owed by only the top 0.1% of families. Further, wealthy families are able to structure their estates to take advantage of weaknesses in the estate tax to lower their overall tax bill, such as through the use of trusts. Reforms to trusts loopholes would address widely-known tax avoidance methods. The wealthy also deploy avoidance strategies that decrease the valuation of the estate solely for tax purposes.

Strengthening the estate tax would curb the ability of wealthy families to compound their advantages as they pass wealth to the next generations. Returning to just the levels that were in place in 2009 would raise significant revenue that could be further invested in women, families, and communities that have not been so advantaged. Broader reform, such as enacting a progressive tax rate rather than the current flat rate, would go even further.

Make Sure Businesses Are Paying a Fairer Share.

Businesses are not paying their fair share of taxes, despite record profits. In 2021, at 300 publicly listed U.S. companies known for low wages, average CEO pay (which is tax advantaged) was $10.6 million, while median worker pay was $23,968. Years of corporate tax cuts and loopholes, most recently the TCJA in 2017, have helped widen this staggering inequality. And despite their promises, corporations have not used tax savings to invest in workers. Tax incentives, such as preferences for private equity and independent contractors, further reward companies that exploit workers. All the while, low-wage workers, who are disproportionately women of color, do not receive the benefit of these tax advantages despite being essential to our economy.

The IRA took important steps to address corporate taxation, but overall, it did not go far enough to ensure corporations are paying their fair share. More is needed, including the policies outlined below.

Raise the corporate tax rate.

In 2017, the TCJA slashed the corporate tax rate by 40 percent—from 35 percent to 21 percent—and made it more profitable for
corporations to take their jobs and resources overseas, among other corporate tax cuts.53

The corporate rate should be raised to ensure gains are more broadly shared. One proposal from the Biden administration would raise the corporate rate to 28 percent54 which would raise an estimated $1.3 trillion over ten years in revenue.55

**Tax Stock Buybacks**

Stock buybacks refer to the practice of companies repurchasing shares of their own stock. Stock buybacks are commonly used to reduce the number of shares of stock on the market, thereby increasing the value per share, as a method of returning profits to shareholders. Other methods, such as dividends, are taxed when they are distributed, but gains from stock buybacks, like other capital gains, are not taxed until the shares are sold, and may not be taxed at all.56 Tax advantages for capital gains overwhelmingly benefit the wealthy57 and white households,58 as they are the most likely to hold shares of stock.

The IRA introduced a new tax on stock buybacks in order to begin addressing the different tax treatment of stock buybacks and dividends. Companies now are required to pay a 1% excise tax on stock buybacks, and President Biden has proposed increasing this tax to 4%.59

**End the carried interest loophole.**

In addition, Congress should finally close the carried interest loophole,60 which privileges compensation for private equity managers by allowing them to characterize their income as capital gains, subjecting it to a lower tax rate.61 This egregious tax avoidance strategy has been denounced across the political spectrum as unfair.62 It also raises equity considerations as private equity is a sector that is notoriously lacking in gender and racial diversity.63 In addition, private equity buyouts have been responsible for slashing jobs to the detriment of low-wage workers, who are disproportionately people of color.64

**Sustaining IRS Funding to Ensure Equitable Enforcement**

Funding for the IRS has been steadily cut over time, gutting the agency’s ability to enforce the tax laws on the books.65 This has left hundreds of billions of dollars in revenues that are owed but uncollected, known as the “tax gap.”66 The top 1% are driving the tax gap the most, contributing an estimated one quarter of the revenue owed that is not collected.67

Better funding the IRS will ensure the wealthy are paying what they owe. Fortunately, the IRA will provide the IRS with almost $80 billion in additional funding over 10 years.68 This funding is badly needed but is also under attack.69 To advance gender and racial equity, the IRA’s increased funding must be fully implemented and not repealed. It also must not be continually undercut through the regular appropriations process.70

**Raising taxes for the wealthy and big corporations advances gender and racial equity, especially when the revenues raised are invested in women and families.**

Increasing taxes on the rich and corporations will help fulfill the purpose of the tax system: collecting revenues to fund our shared priorities. We have a tax system so that our government can invest in things that benefit all of us. We all need the basics of food and shelter. We all need health care. We all will care for ourselves or a loved one at some point in our lives. Like roads and bridges, investments in child care, paid leave, and home- and community-based services, affordable and accessible housing, and health care are critical infrastructure that allow all of us to thrive and access opportunity.

While our tax code has been hijacked to serve the interests of primarily white and wealthy men, we can reshape it to ensure that the rest of us can succeed in this economy. Making sure the wealthy and corporations pay a fairer share of taxes would make the tax code more equitable, curb wealth concentration, and help close gender and racial wealth gaps. And the revenues raised by fairer tax policies would make room for the investments women and families need and deserve.
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33 “General Explanations FY 2024,” p. 79.

34 “General Explanations FY 2024,” p. 82.


38 “General Explanations FY 2024,” p. 79-81.


41 Batchelder and Kamin, “Taxing the Rich”


51 Hunter Blair, “As investment continues to decline, the Trump tax cuts remain nothing but a handout to the rich” (Economic Policy Institute, February 4, 2020), https://www.epi.org/blog/as-investment-continues-to-decline-the-trump-tax-cuts-remain-nothing-but-a-handout-to-the-rich/.

52 Tucker and Vogtman, “When Hard Work Is Not Enough”


54 “General Explanations FY 2024,” p. 2.

55 “General Explanations FY 2024,” p. 211.


59 “General Explanations FY 2024,” p. 4.

60 “General Explanations FY 2024,” p. 133-134.


72 “General Explanations FY 2024,” p. 214.


General Explanations FY 2024,” p. 78-81.

General Explanations FY 2024,” p. 214.

General Explanations FY 2024,” p. 82-84.

General Explanations FY 2024,” p. 214.


General Explanations FY 2024,” p. 2.

General Explanations FY 2024,” p. 211.

General Explanations FY 2024,” p. 4.

General Explanations FY 2024,” p. 211.

General Explanations FY 2024,” p. 133-134.