



Enact a 5 percent surtax on millionaires: \$461 billion over 10 years

The Idea: To tax those who have benefited the most from the American economic system during this difficult period, some have argued for a five percent surtax on incomes over \$1 million per year. If no other changes in the tax code were made, this would increase the top tax rate for millionaires to 40 percent, rather than the current 35 percent rate. Such a tax would raise roughly \$461 billion⁵ over the next 10 years, helping to pay for important investments in the nation.

The Rationale: Over the last 30 years, the income of the wealthiest one percent of households in the U.S. increased by over 220 percent, while the incomes of those in the bottom 90 percent of the income distribution grew by just five percent. As the pre-tax income of those at the top rose dramatically, steep declines in their income tax rates left them with a huge windfall. As a result, income inequality is rapidly increasing. A surtax on those earning over \$1 million would help slow this trend.

Although the current tax code does ask more of the wealthy than of lower-income families, it doesn't distinguish between millionaires, multi-millionaires, and billionaires. A family earning \$50 million a year will only have a slightly higher average tax rate than a family making \$500,000, even though the first family's income is one hundred times as high.

Support for the Idea: An activist group, Patriotic Millionaires, is pushing for increased taxes for millionaires.

Several members of Congress have introduced legislation over the last two sessions to enact a surtax on millionaires. Sen. Bernie Sanders (I-VT) introduced the "Emergency Deficit Reduction Act," which would impose a 5.4 percent surtax on individual taxpayers whose modified adjusted gross income exceeds \$1 million (\$2 million in the case of a joint return). Sen. Harry Reid (D-NV) introduced the "American Jobs Act of 2011," which would impose a 5.6 percent surtax on adjusted gross income above \$1 million. Sens. Robert Menendez (D-NJ) and Amy Klobuchar (D-MN) have both introduced legislation to impose a five percent surtax on adjusted gross income above \$1 million.

Currently, there are more millionaires in the House and Senate than ever before.

Of the plans reviewed for this revenue project, the following support enacting some form of a high-income surtax: Our Fiscal Security's (Economic Policy Institute, Demos, and The Century Foundation) *Investing in America's Economy*, Center for American Progress' *First Step* and *Budgeting for Growth*, the Congressional Black Caucus' *The Responsible Path*, the Institute for America's Future *Citizens' Commission*, Andy Stern's *21st Century Plan*, and the Congressional Progressive Caucus' *People's Budget*.

⁵[*Investing in America's Economy*](#), Our Fiscal Security, pg. 40-1.