

# POLICYMAKERS HAVE AN OPPORTUNITY TO FURTHER RACIAL EQUITY THROUGH SOUND TAX POLICY DECISIONS

Tax policy plays a critical role in distributing power and resources throughout our economy. Low taxes on the wealthy and corporations concentrate economic resources and power, which magnifies inequality, undermines democracy, suppresses consumer demand, and ultimately contributes directly to our weak and precarious economy. Progressive tax policies are crucial to funding important government investments like education, health care, infrastructure, and more.

**A just, equitable tax system can provide a foundation for undoing past harm caused by racist policies and build long-term economic security so that all workers, families, and communities have what they need to prosper and thrive.**

Some policymakers and [special interest groups](#) have tried to make cynical arguments about racial equity in their efforts to resist higher taxes on the wealthy and large corporations. These arguments are ill-founded. Raising taxes on billionaires and their heirs, making corporations pay taxes, and equipping the IRS to better do its job and ensure [more equitable tax enforcement](#) are tremendous steps towards more inclusive and equitable fiscal policy.

**Tax justice can not be separated from racial justice. A tax code that prioritizes working people over the wealthiest individuals and corporations and raises the revenue we need to pay for essential goods and services will help us build towards a more equitable economy.**

- Present-day [tax policy](#), though it appears to be race neutral, rests atop massive inequities in [wealth, business ownership, and homeownership](#). This strips economic security from communities of color while allowing a narrow class of wealthy, white, and disproportionately male individuals to hoard and grow wealth at the expense of everyone else and our broader economy.
  - One example is the “stepped up basis” loophole, which allows wealthy individuals to pass along vast amounts of wealth to their heirs when they die without paying any taxes. This loophole is [enjoyed overwhelmingly](#) by wealthy white households. Closing this loophole is an important step toward preventing wealthy, white families from rigging the system for their own profit.
- Failing to build a robust and progressive revenue system [jeopardizes potential investments](#) in education, health care, infrastructure, housing, and the environment. As the pandemic and economic recession fall particularly hard on [communities of color](#), and [especially women of color](#), these investments are crucial to ensuring that the most vulnerable communities stay afloat.

**Many fundamental aspects of our tax code privilege the interests of the white, wealthy few at the expense of Black and brown people.**

- Large corporations use their tremendous wealth and resources to employ convoluted tax schemes that dramatically shrink or even eliminate their tax bills. For decades, [corporations have rigged the system](#) in order to avoid paying taxes, all while enjoying healthy profits. In the most recent fiscal

year, more than 50 of the largest corporations in America [paid nothing in federal corporate income taxes](#) while reporting a collective \$40 billion in profits. But raising the corporate tax alone will not be enough. Lawmakers also need to shut down loopholes that allow corporations to shift profits overseas to avoid tax and end harmful tax breaks like those for fossil fuel companies.

- [The rich and wealthy](#), who are predominantly [white men](#), have used massive loopholes to avoid paying taxes. The top individual income tax rate is [significantly lower than its historical peak](#). Preferential tax treatment for capital gains and [carried interest](#) means that wealthy individuals and hedge fund managers enjoy lower tax rates on their income than many everyday individuals. A stepped-up basis allows them to avoid taxes on gains altogether.
- And if unfair rates and dubious tax schemes aren't enough, many large corporations and wealthy individuals simply choose to underreport their income. A cash-strapped IRS has been [hobbled by years of cuts and deliberate neglect](#). Their budget for enforcement fell by nearly a quarter between 2010 and 2020. Without adequate resources, the IRS has [focused on auditing communities of color and low-income communities](#) rather than targeting the wealthy and corporations.
- Lawmakers must also [beef up reporting requirements](#) to fight tax noncompliance that costs the federal government about [\\$600 billion annually](#).

**Ever widening inequality facilitated by existing tax policies destabilizes the economy and makes us more prone to economic recessions.**

- A tax system that holds the wealthy and corporations to the same expectations and rules as the working people would [curb corporate power](#) by fighting monopolies, creating greater corporate accountability, and ensuring that concentrated wealth does not accumulate dynastically from one generation to the next.
- Failing to ensure the wealthy pay their fair share exacerbates economic inequality and makes us [more prone](#) to economic recessions in which communities of color, women, and workers always suffer disproportionately.
- A more equitable tax system would make the economy stronger for all of us by raising important revenue to fund vital investments that support workers, families, and communities – the true drivers of economic growth.

Policymakers have an opportunity to build a resilient and inclusive economy that centers all of us. A just and equitable tax code is a key component of that work. Progressive tax policies rebalance power and influence away from the ultra-wealthy and corporations while raising the revenue needed to make smart investments in communities across the country. Without critical reforms, our current tax code will lead to ever-widening inequality that destabilizes our economy and makes us [more vulnerable](#) to future recessions.

**This is a once-in-a-generation opportunity to make smart investments in the people who make our economy run. Policymakers must recognize how reshaping the tax code to address racial equity is both a moral imperative and foundational for a strong and resilient economic recovery.**