Proposed Programs:

Cost of Programs:

Current Budget & Deficit

Will Taxing The Rich Work?
1. 70% Tax
2. Wealth Tax
3. Financial Transactional Tax

How Middle Class & Lower Class Ends Up Paying More..
** Europe as an example

These are the facts – do with them what you want.

Recent proposals, such as Medicare for All, free college, a national job guarantee, paid family and medical leave, and the Green New Deal, are conservatively estimated to cost more than $50 trillion over 10 years, or about $5 trillion a year.

Congresswoman Ocasio-Cortez recently discussed her support for taxing incomes over $10 million at 70 percent. Her goal is to raise additional revenue to fund new federal priorities, such as a "Green New Deal," which aims to convert the U.S. economy to fully renewable energy.

A $5 trillion increase in outlays as proposed for the new programs, would more than double **the $4.4 trillion 2019 federal budget.**

Popular proposals to pay for government spending include the following:

- Raise taxes on the rich (70% tax rate) on earning above $10 million
- Wealth tax on the ultra-rich – 2%- 4% wealth tax on assets more than $50 million proposed by Elizabeth Warren (tax on market value of all your assets excluding liabilities and including cash, shares bank deposits, pension plans, money funds, houses, cars and trusts)
- A financial transactions tax (according to the current proposal this could levy a 0.1% tax every time a share, bond or derivative change hands)

How much money can we realistically raise by taxing the rich?

According to figures from the Social Security Administration, just **3,755 Americans earned more than $10 million** in salary in 2017, for total earnings of around **$82.47 billion.**

Under Ocasio-Cortez's plan, their earnings over $10 million—some $44.92 billion—would be taxed at 70%, rather than the present 37% rate for all earnings over $500,000 a year.

If this rate were adjusted to 70%, the IRS would **receive an additional $14.8 billion** each **year from this tippy-top 0.0007% of all earners**—at the absolute most. (This assumes she would only be raising taxes for earners over $10 million, as mentioned in the CNN interview, rather than a gradual increase for all high earners.)

It sounds like a lot, but **an extra $14.8 billion a year** in government coffers would make very little difference to America's economy. It's less than the US spends on NASA, for instance, and only around 2% of the present military budget

The Washington Post published estimates stating that a top rate of **70 percent could raise** a little more than **$700 billion over a decade.**

In the most optimistic scenarios, **all these 3 proposals would raise about $300 billion** a year. However, this will be only 1/3rd of the current budget deficit.

At present, the federal budget is at $4.4 trillion, with a **$985 billion deficit** anticipated for Oct. 2018 through Sept. 2019. This extra income would scarcely make a dent in that sum.

How does Europe fund big government spending?

If Americans want European-style government services (free college, Medicare for all, a national job guarantee, paid family and medical leave, and the Green New Deal) they should be ready for European-style taxes.

European welfare states do not rely merely on taxing the rich because that would never be enough to cover government spending. Instead, they use broad-based taxes:

- Value-added tax (VAT)
- High payroll taxes and
- Relatively flat income taxes

All these will fall primarily on taxpayers in the middle of the income distribution.

Workers in Europe making two-thirds their country's average wage, the equivalent of $37,000 a year — pay a 50% marginal tax on every additional dollar they earn.

If a below-average wage earner gets a raise, the government takes half of every additional dollar. That same worker also has to pay a 20% value-added tax — EU-style sales tax — when they spend whatever income they are allowed to keep.

In the United States, a single person making $37,000 a year faced a marginal tax wedge of 32 percent in 2018 and 6% on an average on sales tax.

In France and Belgium, marginal rates on below-average incomes are 70 percent and 68 percent, respectively

Higher Incomes are taxed at higher rates

Workers earning above the average wage pay even higher taxes than low wage workers in most countries across Europe.

The marginal tax on wages is above **50 percent on workers** earning close to $92,000

Sweden's top rate is just shy of **70 percent for workers earning close to $92,000** a year. In comparison, the US has the lowest tax wedge of 34%

Looking just at income taxes (excluding payroll taxes), many EU-OECD (Organisation for Economic Co-operation and Development) countries apply their **top marginal income tax** rates to **average or close to average income earners**.

In the U.S. that would mean individuals making more than about $110,000 a year would face a federal marginal income tax rate 13 percentage points higher than they pay currently

Such highly progressive systems do not raise much revenue, if any, and create economically destructive incentives for the most productive people in the country

VAT:

What is VAT?

The VAT is a type of national sales tax that is collected by businesses at each stage of production, rather than at the cash register.

Across all levels of government, the U.S. relies on consumption taxes much less than any EU-OECD country.

In the U.S., state governments through a sales tax at the point of sale collect most of the consumption tax revenue. The U.S. federal government does not collect a broad-based consumption tax.

The average EU-OECD standard **VAT rate was 21.8 percent** in 2016. The average state and local sales tax rate across the 50 U.S. states and the District of Columbia was **6.4 percent in the same year.**

Critics charge that a VAT is essentially a regressive tax that places an increased economic strain on lower-income taxpayers, and also adds bureaucratic burdens for businesses.

How will VAT affect the lower and middle class earners?

1. VATs is another way to **raise taxes on lower-income and middle-class taxpayers** because everyone has to buy goods and services.

2. Unlike income taxes, where large portions of income can be excluded from tax, and rates can be set higher for high-income earners, **everyone pays the same VAT rates**.

3. Third, **the VAT is not only paid by working-age income earners but also by non-income-earning retirees.** VATs are a convenient way to make retirees shoulder some of the burden of paying for their overpromised benefits.

A Progressive Road Map to Taxing the Middle Class

- When candidates talk about increasing spending, U.S. taxpayers should understand that big government is expensive and must be paid for by all taxpayers, not just the rich. There is simply not enough money held or earned by wealthy taxpayers to fund government spending at levels seen across Europe.

- For the government to tax and spend half or more of all economic output each year, it must employ high taxes that **fall squarely on the majority of citizens**.

- Big government requires high **taxes on consumption** and high taxes **on lower-income and middle-class wages**, in addition to other taxes on businesses and property

- High taxes and generous government-provided benefits reduce the value people gain from **working harder to get a promotion or pay raise** because they know the government will take half their new income.

- When you don't benefit from the fruits of your own labor, there is **less incentive to start your own business or be an entrepreneur**. High taxes facilitate a culture of complacency.

- High tax burdens have negative effects on the well being of the country's citizens. . Private providers have to compete for business by producing value for consumers. Government monopolies can perform poorly and stay in business, as taxpayers aren't given the choice to take their money elsewhere.

- Current estimates do not account for behavioral effects, which are important to evaluate a policy like this. This is because a tax rate that high could encourage **individuals to shelter their income**, thus reducing potential revenue from this proposal.

- The economic cost of taxes ultimately affects citizens through

- lower wages
- increased prices and
- less economic opportunity
- Businesses and capital gains taxes decrease investment, which slows wage growth and job creation.

➢ Consumption taxes
- increase prices
- decrease consumer's standards of living
- negatively affect employment and investment incentives.

KEY TAKEAWAYS

The everyday rhetoric about raising taxes on the rich is only half the political story. Income tax history shows that, while it starts with narrow taxes on the rich, it soon leads to broad taxes on everyone else.

One reason Europeans work less and are less entrepreneurial than Americans is because if they work any harder or put in longer hours, they would get to keep only half of those extra earnings, which then get taken away again by a 20 percent value added tax when they spend it.

Americans shouldn't be forced to pay higher taxes to fund big government. Congress should instead control spending.

If American fiscal policy continues to follow the model of European welfare states, U.S. tax policy will also need to change.

Looking to Europe is a good guide to see what America's future looks like if we continue down the path of ever larger government programs. The progressive agenda is **a roadmap for soaking the middle class.**

Americans can avoid higher taxes if Congress avoids new spending and reforms the largest drivers of spending—Medicare, Medicaid, Obamacare, and Social Security.

Washington's finances can The Congressional Budget Office estimates that spending will exceed revenues by $900 billion in 2019. The actual number will be even larger if Congress passes emergency or infrastructure spending packages this year.

If current policy continues, in 10 years, the 2029 budget deficit will likely exceed $2 trillion in that year alone not be fixed without a significant reduction in the growth rate of spending—or large tax increases on the middle class.

Additional Notes:

Current Budget:

On March 11, 2019, President Donald Trump released his budget request for fiscal year 2020. Under his proposal, the federal budget would be a record **$4.746 trillion.** The U.S. government estimates it will receive $3.645 trillion in revenue. That creates a **$1.101 trillion deficit for October 1, 2019, through September 30, 2020**.

Current Revenue:

Most of the revenue the government receives, is paid by you either through income tax or payroll tax

- Income taxes contribute $1.824 trillion or 50% of total receipts.
- Social Security, Medicare, and other payroll taxes add $1.295 trillion or 36%.
- Corporate taxes supply $255 billion or 7%.
- Excise taxes and tariffs contribute $157 billion or 4%.

- Earnings from the Federal Reserve's holdings add $49 billion or 2%. Those are interest payments on the U.S. Treasury debt the Fed acquired through quantitative easing.
- Estate taxes and other miscellaneous revenue supply the remaining 2%.

Spending:

The government expects to spend $4.746 trillion. Almost 60% pays for mandated benefits such as Social Security, Medicare, and Medicaid.

The Deficit:

The budget deficit is estimated at $1.101 trillion. That's the difference between $3.645 trillion in revenue and $4.746 trillion in spending.

https://www.thebalance.com/u-s-federal-budget-breakdown-3305789

How I partnered w/ RK, DJ & BP.

— How My succesful students connect w/ me. ...