

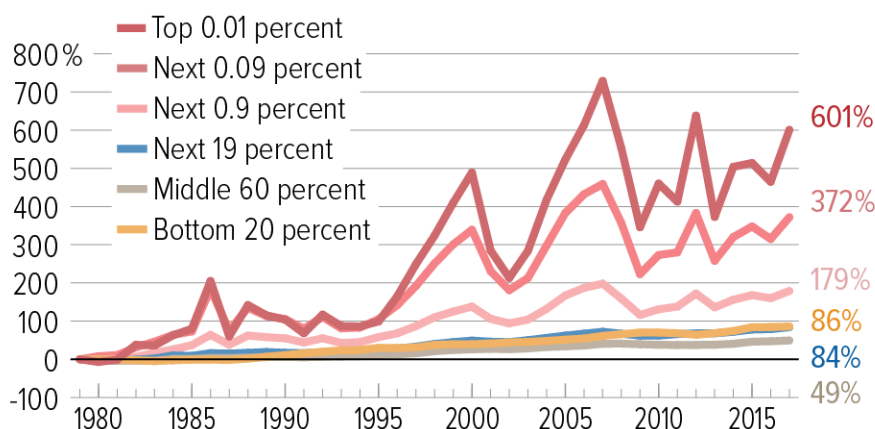
Incomes Growing, Taxes Shrinking at the Top

1. The highest-income 0.01 percent of tax filers (that is, the top 1 in 10,000) saw their incomes rise on average by 601 percent in inflation-adjusted terms between 1979 and 2017, from \$4.7 million to \$33.3 million. See CBPP, [Asking Wealthiest Households to Pay Fairer Amount in Tax Would Help Fund a More Equitable Recovery](#)

FIGURE 1

Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

Percent change in income after transfers and taxes since 1979



Source: Congressional Budget Office

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2. Yet from the mid-1990s through 2017, the average share of their income that the top 0.01 percent paid in federal taxes fell by almost one-fifth. See CBPP, [Asking Wealthiest Households to Pay Fairer Amount in Tax Would Help Fund a More Equitable Recovery](#)
3. Jeff Bezos, Elon Musk, Michael Bloomberg, and Carl Icahn — among the wealthiest men in the world — have all paid zero federal income tax in one or more years. See [ProPublica, The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax](#)

Much of Wealthy Filers' Income Not Taxed Annually

1. Much of the income of the very wealthy escapes annual taxation because the increase in the value of their stocks, real estate, and other investments is not considered “taxable income” unless they sell the asset. See CBPP, [Substantial Income of Wealthy Households Escapes Annual Taxation Or Enjoys Special Tax Breaks](#)
2. For example, Warren Buffett saw the value of his Berkshire Hathaway shares grow by \$7.2 billion in 2010 alone, yet the taxable income he reported on his 2010 tax return was only \$62.8 million — or less than 1 percent of that amount. See CBPP, [Substantial Income of Wealthy Households Escapes Annual Taxation Or Enjoys Special Tax Breaks](#)

3. The wealthy can avoid selling their assets and still finance affluent lifestyles by borrowing. Tesla CEO Elon Musk has pledged Tesla shares worth \$58 billion as collateral for personal loans. Oracle CEO Larry Ellison pledged a portion of his Oracle stock as collateral for a \$10 billion credit line. See [ProPublica, The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax](#); Wall Street Journal, [Buy, Borrow, Die: How Rich Americans Live Off Their Paper Wealth](#); CBPP, [Substantial Income of Wealthy Households Escapes Annual Taxation Or Enjoys Special Tax Breaks](#)
4. The untaxed appreciation of assets of the wealthiest 0.02 percent of filers, who are worth on average more than \$100 million apiece, totaled \$6 trillion as of 2019, representing just over half of their wealth. See Saez, Yagan, and Zucman, [Capital Gains Withholding](#)

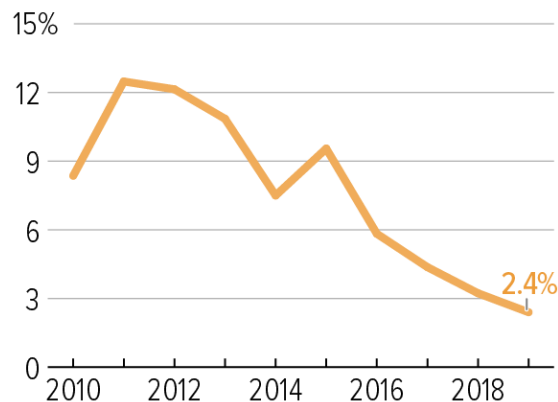
Up to \$1 Trillion a Year in Taxes Owed Goes Uncollected

1. The IRS fails to collect as much as \$1 trillion of legally owed taxes each year, according to the IRS Commissioner. See [Politico, IRS chief says some \\$1T in taxes going uncollected annually](#)
2. Largely because of budget cuts, audit rates for millionaires fell by 71 percent between 2010 and 2019. See CBPP, [Chart Book: The Need to Rebuild the Depleted IRS](#)

FIGURE 2

Audits on Millionaires Have Fallen 71 Percent Since 2010

Audit rate, by fiscal year



Note: Millionaires = filers with incomes greater than \$1 million.

Source: IRS Data Books, 2010-2019

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3. The number of revenue agents able to audit the complex returns of the wealthy and corporations has fallen by 39 percent. See CBPP, [Rebuilding IRS Would Reduce Tax Gap, Help Replenish Depleted Revenue Base](#)
4. Today, the IRS has fewer auditors than at any time since World War II. See *Former Treasury Secretaries Geithner, Lew, Paulson, Rubin, and Summers*, [We Ran the Treasury Department. This Is How to Fix Tax Evasion](#)

President Biden's Modest Proposal to Improve Tax Fairness

1. The Biden tax proposal would take important steps toward requiring wealthy people to pay a fairer amount of tax on their income. It also would rebuild the IRS to improve tax compliance and enforce the tax laws now on the books, and would require financial institutions to provide the IRS with information it can use to detect unreported income. See CBPP, [Biden Proposals Would Reduce Large Tax Advantages for Those at the Top, Address Tax Gap](#)

2. While the proposal would tax income from wealth more like income from work, it would only reduce — not eliminate — the tax advantages that income from wealth enjoys. For instance, it would require the wealthy to pay income tax on unrealized capital gains over \$1 million when they die, but they still would pay no tax on these gains while they are alive. See CBPP, [*Biden Proposals Would Reduce Large Tax Advantages for Those at the Top, Address Tax Gap*](#)
3. The proposed revenue increase would be modest in historical terms, ranking 24th among revenue-raising legislation enacted since World War II as a percent of the economy (gross domestic product), according to Moody's Analytics. Moody's also notes that high-income and wealthy households, which would face higher taxes, "have arguably never been in a better financial position given the long-running skewing of the income and wealth distribution and the surge in asset values during the pandemic." See Moody's Analytics, [*The Macroeconomic Consequences of the American Families Plan and the Build Back Better Agenda*](#)