

**Billionaires Income Tax**  
*Proposed by Senator Ron Wyden*  
October 27, 2021

Working Americans like nurses and firefighters pay taxes with every paycheck, while billionaires defer paying taxes for decades, if not indefinitely. The tax code's preferences for capital income over wage income fuel the concentration of dynastic wealth among the nation's billionaires. The wealthiest few who avoid taxes by indefinitely holding assets are also able to borrow against those assets to fund their lifestyles. This means they opt out of paying taxes and instead pay only low interest rates on loans from Wall Street banks. As a result, middle-class families who earn their incomes from wages and salaries may face higher average tax rates than billionaires.

The Billionaires Income Tax would apply to roughly 700 taxpayers and raise hundreds of billions of dollars, ensuring the wealthiest people in the country pay their fair share toward historic investments in child care, paid leave, and addressing the climate crisis. Only taxpayers with more than \$100 million in annual income or more than \$1 billion in assets for three consecutive years would be covered by the proposal.

**Taxation of gains and losses from assets like stocks**

Tradable assets (assets like stocks that are easily valued on an annual basis) owned by billionaires will be marked to market each year. This means that billionaires will pay tax on gains or take deductions for losses, whether or not they sell the asset. Taxpayers would be able to carry back their losses for up to three years in certain circumstances.

**Deferral charge on gains from assets like real estate**

When a billionaire sells a nontradable asset (like real estate or a business interest), they would pay their usual tax, plus a "deferral recapture amount," which is akin to interest on tax deferred while the individual held that asset.

The deferral recapture amount is calculated by allocating an equal amount of gain to each year in the holding period, determining how much tax would have been owed on the gain in each year, and assessing interest on unpaid tax for the time the tax was deferred. The interest rate used is the short-term federal rate plus one percentage point, and no interest accrues prior to the date of enactment of the proposal or the first tax year the individual is subject to the Billionaires Income Tax, whichever is later.

**Transition and anti-abuse rules.**

The proposal contains rules to transition to the Billionaires Income Tax. For example, the first time billionaires' tradable assets are marked-to-market, they may elect to pay the resulting tax over five years. They may also elect to treat up to \$1 billion of tradable stock in a single corporation as a nontradable asset, which will help to ensure that the proposal does not affect the ability of an individual who founds a successful company to maintain their controlling interest. Additionally, the proposal contains rules to prevent avoidance of the Billionaires Incomes Tax.