BILLIONAIRES INCOME TAX v. WEALTH TAX: 
WHAT’S THE DIFFERENCE?
A billionaires income tax and a wealth tax on the ultrarich would both make billionaires pay closer to their fair share of taxes. They would also both raise a lot of revenue to lower the cost to families of necessities like healthcare, childcare, and housing. But the two types of tax are different in many ways.

Three versions of a billionaires income tax have been proposed, which are compared here:
● Billionaire Minimum Income Tax (BMIT) proposed by President Biden
● Billionaires Income Tax (BIT) proposed by Senate Finance Committee chairman Ron Wyden (D-OR)
● Babies Over Billionaires Act (BOBA, H.R. 7502) introduced by Reps. Jamaal Bowman (D-NY), Susan Wild (D-PA), Bill Pascrell (D-NJ), and Danny K. Davis (D-IL)

A wealth tax, Ultra-Millionaire Tax (S. 510/H.R. 1459), has been introduced by Sen. Elizabeth Warren (D-MA) and by Reps. Pramila Jayapal (D-WA) and Brendan Boyle (D-PA).

What is Taxing Wealth vs. Taxing Wealth Growth?
The biggest difference between the two types of taxes is in what’s being taxed.
● A wealth tax is levied each year on the total wealth (above a threshold) of an ultrawealthy individual, regardless of whether that wealth went up or down or stayed the same.
● A billionaires income tax is levied only on the growth in the wealth of billionaires (and in the case of the BMIT and BOBA, other ultra-wealthy people). No tax would be due for any year in which a taxpayer’s wealth declined or stayed the same.

How Many People Would Be Taxed?
● President Biden’s BMIT and Rep. Bowman’s BOBA would apply only to those households worth over $100 million—roughly the richest 20,000, or 0.01%.
● Senator Wyden’s BIT would apply only to the nation’s roughly 750 billionaires.
● Sen. Warren and Rep. Jayapal’s wealth tax, the Ultra-Millionaire Tax, would apply to 100,000 households worth over $50 million.

What Rate Would Be Charged?
● Billionaires income taxes:
  ● The BMIT rate would be whatever was necessary to bring the total tax rate of covered households to at least 20% when all their investment gains are included as income.
  ● BIT and BOBA rates would be the top long-term capital gains rate, currently 23.8%.
● Wealth tax:
  ● The Ultra-Millionaire Tax would be 2% on wealth between $50 million and $1 billion and 3% on wealth above $1 billion.
How Much Money Would Be Raised?

- Billionaires income taxes:
  - Biden’s BMIT would raise $361 billion over 10 years, according to the Treasury Department (p. 111)
  - Wyden’s BIT would raise $557 billion over 10 years, according to the Joint Committee on Taxation (JCT)—the official revenue scorekeeper for Congress.
- There is no revenue estimate yet for Bowman’s BOBA.
- Wealth tax: Warren’s wealth tax would raise an estimated $3 trillion. That estimate, though made by two respected economists, does not carry the same weight with lawmakers as a Treasury or JCT estimate.

How Well Would They Stand Up to Legal Challenge?

- Wealth tax: Some legal experts believe that it would be successfully challenged in court. There is no precedent for the federal government taxing wealth, and many argue the Constitution effectively prohibits it. Other legal scholars vigorously defend the constitutionality of a wealth tax.
- Billionaires income taxes: There is less worry that they would be declared unconstitutional because they tax income, which the Constitution specifically allows. Nearly 220 legal scholars and economists have endorsed Wyden’s BIT. It would tax income from wealth as it occurs just like income from wages is taxed as it’s earned.

How Much Support Would Legislation Attract in Congress?

Members of Congress are generally more comfortable with familiar ideas and worry about seeming too radical. Because a billionaires income tax would be an expansion of an existing tax—the income tax—it would probably be easier to gain the support of moderate members needed for passage than would the more novel idea of a wealth tax. It also has two powerful champions: President Biden and the chairman of the tax-writing Senate Finance Committee.

One advantage a billionaires income tax has over a wealth tax is in the way non-tradable assets like real estate and business ownership are taxed. A wealth tax would require appraisals of these non-traded assets every year. The billionaires income taxes all use various methods to tax such assets that don’t require assessing their value annually.

Are these proposals equally popular with the public?

Both tax reforms are strongly favored by the public.

- Billionaires income taxes:
  - President Biden’s plan was supported by 59% of likely voters in an April 2022 national poll, including 55% of Independents and 46% of Republicans.
  - 64% of likely voters, including 61% of Independents, in a November 2021 national poll supported Senator Wyden’s plan. More extensive polling since then found that Wyden’s Billionaires Income Tax increased the popularity of President Biden’s Build Back Better economic agenda by up to 40 points in battleground states and congressional districts, especially among undecided independent voters.
- Wealth tax: 62% of voters in an average of 14 polls support a wealth tax along the lines of that proposed by Sen. Warren—a 2% tax on households with net worth (including, real estate, stocks, and other investments) above $50 million.

For a comparison of the billionaires income tax proposals, go here. For more details on each plan, go here. For more on Sen. Warren’s Ultra-Millionaire Tax, go here.