TAX POLICY CENTER
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# AN ANALYSIS OF SENATOR SANDERS'S TAX PROPOSALS

TPC Staff

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In this brief, we estimate the revenue and distributional effects of Senator Bernie Sanders's 2020 campaign tax proposals. We show the revenue and distributional implications of tax proposals excluding those related to his Medicare for All plan. We also report the revenue estimates (but not the distributional effects) of the tax proposals dedicated to finance his Medicare for All plan. We plan to analyze the combined distributional and budgetary effects of Sanders's Medicare for All package in a subsequent release. Sanders's non-health related spending proposals also could have important distributional and economic effects. However, we have not estimated the costs or the distributional effects of those initiatives. Our modeling assumptions are based on information released by the Sanders campaign. We analyze the plan as proposed as of February 28, 2020.

Sanders would increase income and payroll taxes on high-income individuals and increase income taxes on corporations. His proposals (excluding those associated with Medicare for All) would increase federal revenues by $9.9 trillion over the next decade. These proposals most affect the highest-income households, who would see substantially larger tax increases than other income groups, both in dollar amounts and as a share of their income. The provisions dedicated to financing Medicare for All would increase federal revenues by an additional $13.4 trillion.

## MAJOR ELEMENTS OF THE TAX PROPOSAL

Senator Sanders has proposed an increase in the income and payroll taxes of high-income individuals, higher taxes on large corporations, a new tax on net wealth held by individuals, and an excise tax on financial transactions. Key elements of the plan (focusing on those not earmarked to finance Medicare for All) are as follows.

### *Individual Income and Payroll Taxes*

The plan would increase income and payroll taxes, with most of the effects falling on those with high incomes. Sanders's plan would subject earnings above $250,000 to the Social Security payroll tax—6.2 percent applied to both employers and employees. The plan would raise the existing net investment income tax rate from 3.8 percent to 10 percent. His plan would also triple the maximum above-the-line deduction for educator expenses from $250 per taxpayer to $750.

### *Business Taxes*

Sanders's plan would increase business taxes especially for large corporations but also for so-called pass-through enterprises (sole proprietorships, partnerships, S-corporations). It would restore the pre-Tax Cuts and Jobs Act (TCJA) tax rates on corporate income, increasing the top tax rate from 21 percent to 35 percent. The plan also would repeal the 20 percent deduction on pass-through business income. It would reduce cost-recovery deductions on investments to rates closer to economic depreciation and limit interest deductions to 20 percent of adjusted taxable income. It would tax the foreign income of US multinational enterprises at the same rate as domestic income without deferral and tighten restrictions on inversions and off-shoring.

### *Wealth Taxes*

The Sanders plan would introduce a wealth tax on assets held by high-net-worth individuals. The wealth tax rates would be progressive, starting at 1 percent on net wealth above $32 million and rising up to 8 percent on net wealth in excess of $10 billion. (Those thresholds would be halved for unmarried filers.) This tax would be assessed annually.

### *Financial Transaction Tax*

The plan would impose a new tax on transfers of financial assets at rates of 0.5 percent on corporate stocks, 0.1 percent on bonds, and 0.005 percent on derivatives (such as futures contracts).

### *Provisions Earmarked for Medicare for All*

The Sanders campaign has designated a number of provisions as options to finance Medicare for All. These include increasing the top income tax rate to 52 percent, taxing capital gains and dividends at ordinary rates, taxing the gains on capital assets on the transfer of those assets at death, instituting a 4 percent surcharge on taxable income, and levying a 7.5 percent payroll tax on employers with total payroll above $2 million. The Medicare for All plan would also raise revenues by eliminating several health-related tax subsidies, including the exclusion for employer-sponsored health insurance, the deduction for self-employed health insurance premiums, the itemized deduction for high medical expenses, and deductions for contributions to health savings accounts. In future work with the Urban Institute's Health Policy Center, we plan to analyze the combined impact of Sanders's tax and health proposals on federal budgets as well as the distributional consequences of his overall plan.

### *Policy Provisions Outside the Scope of This Report*

We recognize that Senator Sanders's extensive policy initiatives include new spending programs that would have important distributional and economic effects. Those include proposals for a Green New Deal and cancellation of student debt. However, we have not estimated the costs or the distributional effects of those new initiatives.

See appendices A and B for a detailed description and revenue estimates for the Sanders tax plan, including the Medicare for All financing options, and our estimating assumptions.

## REVENUE EFFECTS

We estimate that Sanders's tax proposals (generally assumed to be effective January 1, 2021) would increase federal revenues relative to current law by about $9.9 trillion between 2021 and 2030, or 3.6 percent of gross domestic product (GDP) over that period (table 1). About $1.8 trillion of the revenue gain would come from higher individual income and payroll taxes, $5.2 trillion from higher corporate income taxes, $2.3 trillion from the new wealth tax, and $0.6 trillion from the new financial transaction tax. Increasing the maximum corporate tax rate to 35 percent would account for about 45 percent of the additional corporate income tax revenue (table A1). Half of the new payroll tax on salaries above $250,000 would be paid by employees, and the remainder would be nominally levied on employers. The employer portion would ultimately be passed on to workers in the form of lower wages. At $1.4 trillion, the increased payroll tax amounts to about 80 percent of the individual and payroll tax increase.

TABLE 1

Estimated Effects of the Sanders Tax Plan on Tax Revenues

Fiscal years 2021 to 2040, billions of dollars

| | Fiscal Year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2021-30 | 2031-40 |
| | *Provisions not Earmarked for Medicare for All* [a] | | | | | | | | | | | |
| Individual income and payroll taxes | 124.0 | 186.1 | 200.8 | 215.5 | 177.9 | 162.1 | 173.2 | 185.2 | 197.1 | 210.8 | 1,832.7 | 2,980.3 |
| Business taxes | 371.7 | 707.4 | 725.0 | 644.1 | 575.8 | 489.3 | 407.3 | 392.9 | 421.2 | 455.1 | 5,189.8 | 6,124.6 |
| Estate and gift / wealth taxes | 164.6 | 223.3 | 227.2 | 232.0 | 233.3 | 235.7 | 239.7 | 238.1 | 236.8 | 232.2 | 2,262.8 | 3,680.4 |
| Excise taxes | (79.9) | (66.6) | (25.8) | 61.9 | 115.1 | 122.8 | 123.2 | 124.4 | 125.6 | 126.9 | 627.6 | 1,336.6 |
| **Total revenue effect of all provisions** | **580.3** | **1,050.2** | **1,127.2** | **1,153.5** | **1,102.0** | **1,009.9** | **943.4** | **940.6** | **980.7** | **1,024.9** | **9,912.9** | **14,122.0** |
| **As a percentage of GDP** | **2.5** | **4.4** | **4.5** | **4.5** | **4.1** | **3.7** | **3.3** | **3.2** | **3.2** | **3.2** | **3.6** | **3.6** |
| | *Medicare for All Tax Provisions* | | | | | | | | | | | |
| Individual income and payroll taxes | 798.0 | 1,163.9 | 1,240.5 | 1,303.9 | 1,368.6 | 1,497.5 | 1,621.5 | 1,703.4 | 1,786.1 | 1,874.8 | 14,358.3 | 24,610.6 |
| Business taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Estate and gift / wealth taxes | 3.4 | 19.8 | 27.5 | 35.3 | 44.2 | 47.6 | 46.7 | 49.7 | 52.7 | 56.1 | 383.0 | 902.5 |
| Excise taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interaction with non-Medicare for All provisions | -117.0 | -171.6 | -182.9 | -135.9 | -100.2 | -100.1 | -107.8 | -118.8 | -128.4 | -142.7 | -1,305.3 | -2,262.5 |
| **Total revenue effect of all provisions** | **684.5** | **1,012.1** | **1,085.1** | **1,203.3** | **1,312.6** | **1,445.0** | **1,560.4** | **1,634.3** | **1,710.4** | **1,788.3** | **13,436.1** | **23,250.6** |
| **As a percentage of GDP** | **2.9** | **4.1** | **4.2** | **4.5** | **4.8** | **5.0** | **5.2** | **5.3** | **5.3** | **5.4** | **4.9** | **5.9** |

**Source:** Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2) and TPC estimates.
**Notes:** Estimates are for calendar year. Baseline is current

(a) Excludes items that are solely dedicated to paying for Medicare for All, but includes provisions earmarked to finance multiple programs.

The revenue gain dips from 2025 through 2028 because the revenue gained from slowing cost-recovery drops as the current law expensing provision phases out in the baseline between 2023 and 2025 and because most of the individual income tax provisions in the TCJA expire after 2025. Sanders's plan would continue to raise revenue over the longer run. The plan increases federal revenues by 3.6 percent of GDP between 2031 and 2040, the same increase as over the first 10 years.

The provisions earmarked for Medicare for All would raise even more revenue: $13.4 trillion or 4.9 percent of GDP from 2021 to 2030. The additional revenue all comes from individual provisions (including the new employer payroll tax increase, which is ultimately borne by workers) and increases in estate taxes. Unlike the main provisions, the provisions dedicated to pay for Medicare for All grow as a share of GDP in the second decade, to 5.9 percent of GDP.

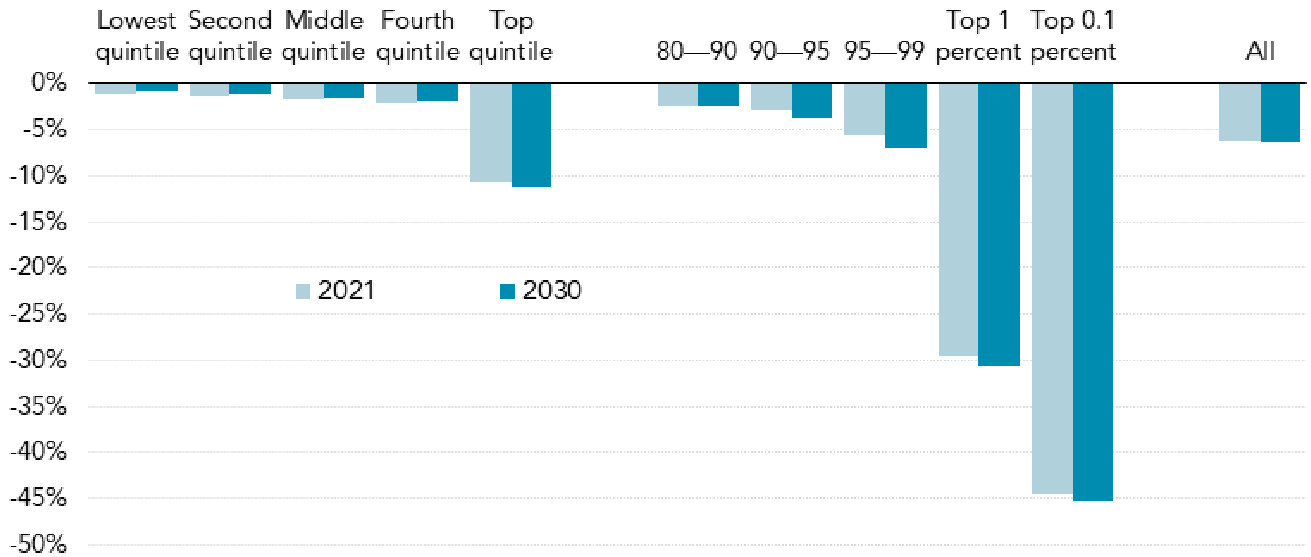
## DISTRIBUTIONAL EFFECTS

Sanders's proposal (except the provisions devoted to paying for Medicare for All) would have different effects on the distribution of tax burdens in different years, so we present results for 2021 and 2030 (figure 1).

FIGURE 1

**Percent Change in After-tax Income under the Sanders Tax Plan**

By expanded cash income percentile, 2021 and 2030




**Source:** Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2).
**Note:** Baseline is current law.

In 2021, Sanders's proposals would raise annual taxes on all income groups, but the highest-income households would see substantially larger increases both in dollar amounts and as a share of their incomes (table 2). The plan would raise taxes on households in the top 1 percent of the income distribution (those with income of more than $837,000) by an average of about $518,000, or 29.5 percent of after-tax income in 2021. By contrast, taxpayers in the middle income quintile (those with income between about $52,000 and $93,000) would experience an average tax increase of $1,070, or 1.7 percent of after-tax income. Taxpayers in the bottom quintile (those with income of less than $26,000) would see an average tax increase of $170, or 1.1 percent of after-tax income. In total, about 85 percent of the tax increases would be borne by taxpayers in the top quintile of the income distribution.

Nearly all of the increase in tax burden for the bottom four income quintiles would be because of indirect effects of increased corporate income taxes. Our model assumes that in the long run, 60 percent of the corporate income tax is borne by shareholders, 20 percent is borne by all capital owners, and 20 percent is borne by labor.[1] The Joint Committee on Taxation, the Congressional Budget Office, and the Department of Treasury make similar assumptions. For low- and middle-income households, the reduction in wages and investment income would, on average, more than offset the effects of Sanders's new deductions.

[1] For further discussion, see "Brief Description of the Tax Model," Urban-Brookings Tax Policy Center, last updated August 23, 2018, https://www.taxpolicycenter.org/resources/brief-description-tax-model.

TABLE 2

## Distribution of Federal Tax Change under the Sanders Tax Plan

By expanded cash income percentile, 2021

| Expanded cash income percentile[a] | Percent change in after-tax income[b] | Share of total federal tax change (%) | Average federal tax change ($) | Average federal tax rate[c] | |
|---|---|---|---|---|---|
| | | | | Change (% points) | Under the proposal (%) |
| Lowest quintile | -1.1 | 0.8 | 170 | 1.1 | 4.2 |
| Second quintile | -1.3 | 2.0 | 480 | 1.2 | 9.2 |
| Middle quintile | -1.7 | 4.1 | 1,070 | 1.4 | 14.6 |
| Fourth quintile | -2.0 | 7.0 | 2,220 | 1.7 | 18.6 |
| Top quintile | -10.6 | 85.4 | 32,290 | 8.1 | 32.1 |
| All | -6.2 | 100.0 | 5,330 | 5.0 | 23.9 |
| | | | | | |
| **Addendum** | | | | | |
| 80—90 | -2.4 | 5.5 | 4,060 | 1.9 | 21.8 |
| 90—95 | -2.9 | 4.6 | 7,060 | 2.3 | 23.9 |
| 95—99 | -5.7 | 11.3 | 22,350 | 4.3 | 28.0 |
| Top 1 percent | -29.5 | 63.9 | 518,190 | 20.7 | 50.4 |
| Top 0.1 percent | -44.6 | 44.1 | 3,494,650 | 31.1 | 61.5 |

**Source:** Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2).

**Notes:** Estimates are for calendar year. Baseline is current law. Proposal includes all assumptions detailed in the appendix. Number of alternative minimum tax taxpayers is 0.2 million under baseline and 0.1 million under proposal.

(a) Percentiles include both filing and nonfiling units but exclude those that are dependents of other tax units. Tax units with negative adjusted gross income are excluded from their respective income class but are included in the totals. The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks (in 2019 dollars) are 20%: $26,200; 40%: $52,000; 60%: $93,300; 80%: $169,500; 90%: $247,700; 95%: $352,800; 99%: $837,400; 99.9%: $3,665,700. For a description of expanded cash income, see http://www.taxpolicycenter.org/TaxModel/income.cfm.

(b) After-tax income is expanded cash income less individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); estate tax; and excise taxes.

(c) Average federal tax (including individual and corporate income tax, payroll taxes for Social Security and Medicare, the estate tax, and excise taxes) as a percentage of average expanded cash income.

The distribution of tax changes for 2030 is similar to that for 2021. The average tax increase as a share of after-tax income is only slightly higher than in 2021 (table 3). The average tax increase is smaller as a share of after-tax income for the bottom four quintiles in 2030 than in 2021 because of the expiration of most individual income tax provisions in the TCJA, while the increase for the highest-income households is somewhat larger (figure 1).

In 2030, the tax plan (not including the Medicare for All revenue provisions) is estimated to raise taxes for households in the top 1 percent of the income distribution by an average of about $707,700, or 30.6 percent of after-tax income. By contrast, taxpayers in the middle-income quintile would see an average tax increase of about $1,320, or 1.5 percent of after-tax income. Taxpayers in the bottom quintile would see an average tax increase of $160, or 0.7 percent of after-tax income.

TABLE 3

## Distribution of Federal Tax Change under the Sanders Tax Plan

By expanded cash income percentile, 2030

| Expanded cash income percentile[a] | Percent change in after-tax income[b] | Share of total federal tax change (%) | Average federal tax change ($) | Average federal tax rate[c] | |
|---|---|---|---|---|---|
| | | | | Change (% points) | Under the proposal (%) |
| Lowest quintile | -0.7 | 0.6 | 160 | 0.7 | 4.6 |
| Second quintile | -1.1 | 1.6 | 540 | 1.0 | 10.1 |
| Middle quintile | -1.5 | 3.7 | 1,320 | 1.3 | 15.9 |
| Fourth quintile | -1.9 | 6.3 | 2,730 | 1.5 | 19.9 |
| Top quintile | -11.3 | 86.7 | 44,840 | 8.4 | 34.1 |
| All | -6.3 | 100.0 | 7,350 | 5.0 | 25.3 |
| | | | | | |
| **Addendum** | | | | | |
| 80—90 | -2.4 | 5.3 | 5,250 | 1.9 | 23.0 |
| 90—95 | -3.8 | 5.6 | 11,810 | 2.9 | 25.7 |
| 95—99 | -7.0 | 13.3 | 36,510 | 5.2 | 31.7 |
| Top 1 percent | -30.6 | 62.5 | 707,710 | 21.0 | 52.4 |
| Top 0.1 percent | -45.3 | 42.2 | 4,655,480 | 31.0 | 62.6 |

**Source:** Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2).

**Notes:** Estimates are for calendar year. Baseline is current law. Proposal includes all assumptions detailed in the appendix. Number of alternative minimum tax taxpayers is 7.6 million under baseline and 7.9 million under proposal.

(a) Percentiles include both filing and nonfiling units but exclude those that are dependents of other tax units. Tax units with negative adjusted gross income are excluded from their respective income class but are included in the totals. The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks (in 2019 dollars) are 20%: $30,200; 40%: $59,200; 60%: $103,500; 80%: $183,200; 90%: $264,000; 95%: $382,500; 99%: $915,400; 99.9%: $4,199,600. For a description of expanded cash income, see http://www.taxpolicycenter.org/TaxModel/income.cfm.

(b) After-tax income is expanded cash income less individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); estate tax; and excise taxes.

(c) Average federal tax (including individual and corporate income tax, payroll taxes for Social Security and Medicare, the estate tax, and excise taxes) as a percentage of average expanded cash income.

## APPENDIX A. DETAILED REVENUE ESTIMATES

TABLE A1

### Estimated Effect of Sanders Tax Plan on Tax Revenues, Excluding Provisions Dedicated to Finance Medicare for All

Fiscal years 2021 to 2040, billions of dollars

| Provision | Fiscal Year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2021-30 | 2031-40 |
| *Individual Income and Payroll Taxes* | | | | | | | | | | | | |
| Increase the net investment income tax rate from 3.8 percent to 10 percent | 11.4 | 18.1 | 19.1 | 19.9 | 19.6 | 19.6 | 20.5 | 21.5 | 22.4 | 23.7 | 195.9 | 317.4 |
| Triple the above-the-line deduction for educator expenses and index it to inflation | -0.2 | -0.3 | -0.3 | -0.4 | -0.4 | -0.5 | -0.5 | -0.5 | -0.5 | -0.5 | -4.1 | -6.2 |
| Apply the Social Security payroll tax (6.2 percent) to individual earnings above $250,000 | 75.9 | 108.3 | 117.3 | 127.0 | 134.1 | 143.0 | 153.2 | 164.2 | 175.1 | 187.5 | 1,385.7 | 2,669.1 |
| Repeal the 20 percent deduction on pass-through business income | 36.8 | 59.9 | 64.8 | 69.0 | 24.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 255.2 | 0.0 |
| *Total for individual income and payroll taxes* | *124.0* | *186.1* | *200.8* | *215.5* | *177.9* | *162.1* | *173.2* | *185.2* | *197.1* | *210.8* | *1,832.7* | *2,980.3* |
| *Business Taxes* | | | | | | | | | | | | |
| Gradually replace current depreciation rules with economic depreciation | 212.5 | 388.7 | 355.7 | 254.2 | 166.0 | 94.5 | 29.6 | 9.3 | 26.7 | 49.2 | 1,586.4 | 1,037.0 |
| Eliminate tax preferences for fossil fuels | 2.6 | 3.9 | 3.8 | 3.7 | 3.5 | 3.0 | 2.4 | 2.1 | 2.1 | 2.0 | 29.1 | 5.1 |
| Tighten the definition of inverted corporations, defining them as corporations owned by 50 percent of the same shareholders after a merger | 0.1 | 0.5 | 0.7 | 1.1 | 1.5 | 1.8 | 2.3 | 2.8 | 3.3 | 3.8 | 17.9 | 37.1 |
| Eliminate the tax deduction for expenses incurred in moving factories abroad | * | * | * | * | * | * | * | * | * | * | * | -0.4 |
| Restore top corporate income tax rate to 35 percent | 78.4 | 166.6 | 205.2 | 222.2 | 236.3 | 238.8 | 239.6 | 246.0 | 251.9 | 258.1 | 2,143.1 | 3,277.4 |
| Limit the interest deduction to 20 percent of adjusted taxable income | 21.3 | 30.1 | 22.8 | 20.4 | 20.7 | 21.2 | 21.5 | 21.9 | 22.4 | 22.8 | 225.1 | 261.5 |
| Apply the same tax rate on offshore and domestic income and apply a per-country limit on the foreign tax credit | 40.1 | 81.7 | 93.7 | 97.2 | 100.8 | 89.5 | 77.9 | 77.5 | 80.4 | 83.4 | 822.2 | 1,055.9 |
| Raise the base erosion and anti-abuse rate (BEAT) to 17.5 percent | 5.3 | 11.0 | 12.8 | 13.3 | 13.8 | 12.1 | 10.4 | 10.3 | 10.6 | 11.0 | 110.6 | 139.8 |
| Eliminate the tax preference for foreign-derived intangible income | 10.4 | 22.7 | 27.4 | 28.8 | 29.8 | 25.0 | 20.0 | 19.4 | 20.1 | 20.9 | 224.5 | 264.4 |
| Treat companies managed and controlled in the United States as domestic corporations | 0.8 | 1.4 | 1.5 | 1.5 | 1.6 | 1.6 | 1.7 | 1.7 | 1.8 | 1.9 | 15.5 | 23.8 |
| Tighten rules for classifying independent contractors | 0.2 | 0.8 | 1.4 | 1.7 | 1.8 | 1.8 | 1.9 | 1.9 | 1.9 | 2.0 | 15.4 | 23.0 |
| *Total for business taxes* | *371.7* | *707.4* | *725.0* | *644.1* | *575.8* | *489.3* | *407.3* | *392.9* | *421.2* | *455.1* | *5,189.8* | *6,124.6* |
| *Estate and Gift / Wealth Taxes* | | | | | | | | | | | | |
| Impose an annual wealth tax at rates ranging from 1 percent to 8 percent, and a 40 percent tax on all net wealth under $1 billion and 60 percent over $1 billion for any person who gives up US citizenship | 164.6 | 223.3 | 227.2 | 232.0 | 233.3 | 235.7 | 239.7 | 238.1 | 236.8 | 232.2 | 2,262.8 | 3,680.4 |
| *Total for estate and gift / wealth taxes* | *164.6* | *223.3* | *227.2* | *232.0* | *233.3* | *235.7* | *239.7* | *238.1* | *236.8* | *232.2* | *2,262.8* | *3,680.4* |
| *Excise / Consumption Taxes* | | | | | | | | | | | | |
| Impose a financial transaction tax (FTT) of 0.5 percent on stock trades, 0.1 percent on bond trades, and 0.005 percent on derivative trades | -79.9 | -66.6 | -25.8 | 61.9 | 115.1 | 122.8 | 123.2 | 124.4 | 125.6 | 126.9 | 627.6 | 1,336.6 |
| *Total for excise / consumption taxes* | *-79.9* | *-66.6* | *-25.8* | *61.9* | *115.1* | *122.8* | *123.2* | *124.4* | *125.6* | *126.9* | *627.6* | *1336.6* |
| *Total Revenue Effect of All Provisions* | | | | | | | | | | | | |
| **Total revenue effect of plan** | **580.3** | **1,050.2** | **1,127.2** | **1,153.5** | **1,102.0** | **1,009.9** | **943.4** | **940.6** | **980.7** | **1,024.9** | **9,912.9** | **14,122.0** |
| **As a percentage of GDP** | **2.5** | **4.4** | **4.5** | **4.5** | **4.1** | **3.7** | **3.3** | **3.2** | **3.2** | **3.2** | **3.6** | **3.6** |

**Source:** Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2) and TPC estimates.

**Note**: An * indicates a positive or negative revenue effect of less than 50 million dollars.

TABLE A2

## Estimated Effect of the Sanders Medicare for All Tax Plan on Tax Revenues

Fiscal Years 2021 and 2040, billions of dollars

| Provision | Fiscal Year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2021-30 | 2031-40 |
| *Individual Income and Payroll Taxes* | | | | | | | | | | | | |
| Increase the top individual marginal tax rate to 52 percent on income above $10 million | 9.5 | 14.5 | 15.6 | 17.1 | 17.9 | 13.2 | 11.9 | 12.4 | 12.5 | 13.0 | 137.6 | 221.2 |
| Tax capital gains at the same rate as wages and crack down on gaming through derivatives, like-kind exchanges, and the zero tax rate on capital gains passed on through bequest | -6.8 | 26.1 | 44.1 | 44.9 | 46.5 | 46.3 | 48.2 | 50.9 | 53.5 | 56.3 | 410.0 | 849.9 |
| Replace the cap on state and local tax deductions with an overall dollar cap of $50,000 for married couple on all itemized deductions | -28.5 | -50.2 | -54.0 | -56.7 | -59.7 | 7.6 | 55.2 | 59.4 | 64.0 | 68.1 | 5.2 | 960.2 |
| A 4 percent income-based premium | 258.8 | 362.5 | 381.5 | 399.5 | 418.4 | 415.4 | 426.6 | 445.1 | 464.3 | 484.0 | 4,056.1 | 6,188.6 |
| Savings from health-related tax expenditures that would become less necessary under Medicare for All | 322.7 | 479.6 | 509.2 | 541.4 | 574.1 | 643.2 | 698.4 | 740.0 | 781.4 | 827.7 | 6,117.7 | 11,185.5 |
| An additional employer payroll tax of 7.5 percent | 242.3 | 331.4 | 344.1 | 357.7 | 371.5 | 371.8 | 381.2 | 395.6 | 410.3 | 425.8 | 3,631.7 | 5,205.3 |
| *Total for individual income and payroll taxes* | *798.0* | *1,163.9* | *1,240.5* | *1,303.9* | *1,368.6* | *1,497.5* | *1,621.5* | *1,703.4* | *1,786.1* | *1,874.8* | *14,358.3* | *24,610.6* |
| *Business Taxes* | | | | | | | | | | | | |
| *Total for business taxes* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| *Estate and Gift / Wealth Taxes* | | | | | | | | | | | | |
| Increase top estate tax rates and close loopholes and create a new deduction of up to $2 million for farm property | 3.4 | 19.8 | 27.5 | 35.3 | 44.2 | 47.6 | 46.7 | 49.7 | 52.7 | 56.1 | 383.0 | 902.5 |
| *Total for estate and gift / wealth taxes* | *3.4* | *19.8* | *27.5* | *35.3* | *44.2* | *47.6* | *46.7* | *49.7* | *52.7* | *56.1* | *383.0* | *902.5* |
| *Excise / Consumption Taxes* | | | | | | | | | | | | |
| *Total for excise / consumption taxes* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| *Interaction with provisions not dedicated to Medicare for All* | *-117.0* | *-171.6* | *-182.9* | *-135.9* | *-100.2* | *-100.1* | *-107.8* | *-118.8* | *-128.4* | *-142.7* | *-1,305.3* | *-2,262.5* |
| *Total Revenue Effect of All Provisions* | | | | | | | | | | | | |
| **Total revenue effect of plan** | **684.5** | **1,012.1** | **1,085.1** | **1,203.3** | **1,312.6** | **1,445.0** | **1,560.4** | **1,634.3** | **1,710.4** | **1,788.3** | **13,436.1** | **23,250.6** |
| **As a percentage of GDP** | **2.9** | **4.1** | **4.2** | **4.5** | **4.8** | **5.0** | **5.2** | **5.3** | **5.3** | **5.4** | **4.9** | **5.9** |

**Source:** Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2) and TPC estimates.

## APPENDIX B. SANDERS TAX PLAN AND ASSUMPTIONS

Because candidates' proposals rarely include all the details needed to model them accurately, we ask their staff to clarify provisions or specify more details. We sent questions and working assumptions to the Sanders campaign, but they declined to provide an official response. The assumptions below are based on the following issues pages on the campaign website: "*Making The Rich Pay Their Fair Share in Taxes*," "*A Thurgood Marshall Plan for Public Education*," "*The Right to a Secure Retirement*," "*Corporate Accountability and Democracy*," "*The Sanders Income Inequality Tax Plan*," "*Fight For Fair Trade and Workers*," "*The Green New Deal*," "*A Welcoming and Safe America for All*," "*Housing for All*," "*Tax on Extreme Wealth*," and "*How Does Bernie Pay for His Major Plans?*" We also referred to two pages on Senator Sanders's office website, "*For the 99.8% Act: Summary of Sen. Bernie Sanders's legislation to tax the fortunes of the top 0.2%,*" and a *summary of the "Workplace Democracy Act."*

The revenue from some of Senator Sanders's tax provisions is fully dedicated to financing Medicare for All. Those provisions are described in a separate section below and included as a separate panel in the revenue table, but they are not incorporated into our distributional analysis. (Provisions earmarked for multiple spending programs are included in the distributional analysis for the general tax provisions along with those earmarked for non–health care programs.) We plan to analyze the combined distributional effects of all revenue provisions and Medicare for All in a forthcoming analysis.

Unless stated otherwise, we assume that all temporary tax provisions will expire as scheduled (e.g., almost all of the TCJA individual income tax changes expire after 2025).

### *Sanders Tax Provisions Excluding Those Earmarked for Medicare for All*

The following are provisions that the campaign has not designated as entirely allocated to financing Medicare for All. We include several provisions, most notably the new wealth tax, whose revenues would partly finance Medicare for All and partly finance other new initiatives.

#### INDIVIDUAL INCOME TAX PROVISIONS

- Triple the above-the-line deduction for educator expenses, and index it to inflation. Under current law, educators may deduct up to $250 of out-of-pocket costs for purchasing educational materials ($500 for joint returns where both taxpayers are educators). *We assume that the maximum deduction per educator would increase to $750 starting in 2021 and that amount would be indexed for inflation in later years.*
- Apply the Social Security payroll tax (6.2 percent) to individual earnings above $250,000. *We assume that this proposal is as described in Senator Sanders's Social Security Expansion Act: the tax would apply to wages and self-employment income, it would apply to both the employer and employee portions of the tax, and the earnings threshold would not be indexed for inflation.*
- Increase the net investment income tax rate from 3.8 percent to 10 percent. *Although we did not find this provision in campaign documents, it is a logical complement to the provision applying the Social Security payroll tax to high-earning individuals and is included in the Social Security Expansion Act.*

#### BUSINESS TAX PROVISIONS

- Restore top corporate income tax rate to 35 percent. *We assume the rate structure in effect before enactment of the TCJA would be restored.*
- Gradually replace current depreciation rules with economic depreciation. *We assume the alternative depreciation system (ADS) would apply to all new assets as of the date of enactment and that Section 179 would be retained.*
- Repeal the 20 percent deduction on pass-through business income and subject large pass-through businesses to corporate taxes. *We assume that Section 199A would be repealed. Lacking guidance of what constitutes a large pass-through business, we do not model the effects of subjecting them to corporate income taxes.*

- Apply the same tax rate on offshore and domestic income and apply a per-country limit on the foreign tax credit. *We assume that the foreign-source income of US multinational corporations would be taxed at a 35 percent rate without deferral. A full foreign tax credit would be allowed on a country-by-country basis; that is, any excess tax credits generated in one country could not be applied to income generated in another country.*
- Lower the threshold for imposition of the base erosion and anti-abuse tax rate (BEAT), raise the rate to 17.5 percent, and exclude deductible payments that give rise to includable US income. *We assume that the BEAT rate would increase to 17.5 percent but, absent any specific proposal of how to change the threshold, we assume the BEAT tax base would remain the same as under current law.*
- Tighten the definition of inverted corporations, defining them as corporations owned by 50 percent of the same shareholders after a merger. *We assume this is the Obama budget proposal (which was introduced as the Stop Corporate Inversions Act). See* US Department of the Treasury (2016, 27–28).
- Tighten rules for classifying independent contractors. *We assume this proposal would follow options 8 and 22 described in the "Revenue Options" chapter of Congressional Budget Office (2018).*
- Eliminate the tax deduction for expenses incurred moving factories abroad. *We assume this is as described in the Obama budget proposal. See* US Department of the Treasury (2016, 5–6).
- Treat companies managed and controlled in the United States as domestic corporations. *We assume this provision would apply the 35 percent worldwide minimum tax to the foreign income of companies that have undergone a corporate inversion.*
- Eliminate tax preferences for fossil fuels. *We assume this proposal is the one in Senator Sanders's End Polluter Welfare Act of 2015.*
- Eliminate the tax preference for foreign-derived intangible income. *We assume this would repeal the provision introduced in the TCJA.*
- Limit the interest deduction to 20 percent of adjusted taxable income. *We assume that adjusted taxable income is earnings before interest and taxes and that the limitation applies to both corporations and pass-through businesses.*

## WEALTH TAXATION

- Impose an annual wealth tax at rates ranging from 1 percent to 8 percent, and impose a 40 percent tax on all net wealth under $1 billion and 60 percent over $1 billion for any person who gives up US citizenship. *We assume the following:*
  - *All assets, including those belonging to dependents, would be included in the base.*
  - *The wealth tax would be reported on individual income tax forms, with quarterly estimated payments during the year.*
  - *No transition period would be provided.*
  - *The budget of the IRS would not increase above the baseline level.*

## EXCISE TAX PROVISIONS

- Impose a financial transaction tax of 0.5 percent on stock trades, 0.1 percent on bond trades, and 0.005 percent on derivative trades. *We assume that this is the proposal in Senator Sanders's Inclusive Prosperity Act of 2019. Our analysis ignores the individual income tax credit equal to the amount of financial transaction tax paid by individuals with incomes below $50,000 ($75,000 for joint returns) because the credit would have negligible effect on revenues.*

### *Sanders Tax Provisions Entirely Earmarked for Medicare for All*

The following provisions have been designated as options to finance Medicare for All.

#### INDIVIDUAL INCOME TAX PROVISIONS

- Increase the top individual marginal tax rate to 52 percent on income above $10 million. *We assume*
  - *the income threshold would not vary by filing status, and*
  - *the $10 million threshold would apply to 2021 and would be indexed for inflation in years after that.*
- Tax capital gains at the same rate as wages and crack down on gaming through derivatives, like-kind exchanges, and the zero tax rate on capital gains passed on through bequests. *We assume:*
  - *the tax rates would follow the same schedule as the tax rates on ordinary income.*
  - *the same rate would apply to long-term capital gains and qualifying dividends, and*
  - *capital gains would be taxed at death as under the Obama proposal.*

  *We do not model gaming through derivatives and like-kind exchanges.*

- Replace the cap on state and local tax deductions with an overall dollar cap of $50,000 for married couples on all itemized deductions. *We assume*
  - *The cap would be $50,000 for married people filing joint returns, $37,500 for head-of-household filers, and $25,000 for all other filers; and*
  - *the cap would be indexed for inflation.*
- A 4 percent income-based premium. *We assume this is a flat surcharge on taxable income.*
- Savings from health-related tax expenditures that would become less necessary under Medicare for All. *We assume this provision would eliminate*
  1. *the exclusion from income and payroll tax of employer contributions toward employees' health insurance;*
  2. *the exclusion from income and payroll tax for health-related contributions to cafeteria plans and flexible spending accounts; and*
  3. *the itemized deduction for medical expenses over an AGI floor.*

#### BUSINESS TAX PROVISIONS

- An additional employer payroll tax of 7.5 percent. As described in the campaign's "Options to Finance Medicare for All," employers would be subject to a tax equal to 7.5 percent of payroll in excess of $2 million. During a four-year transition period, firms that currently offer health insurance would be required to pay the greater of 7.5 percent of payroll or 75 percent of current employer contributions to premiums. *We assume this employer tax is in addition to the existing 1.45 percent Medicare tax, which applies to both employers and employees. We ignored the transitional additional tax that would apply to employers with especially generous health insurance coverage.*

#### ESTATE TAXATION

- Increase top estate tax rates, close loopholes, and create a new deduction of up to $2 million for farm property. *We assume this follows the "For the 99.8% Act," and we modeled the proposal as a tax on net worth with no deductions other than the spousal and charitable deductions and the $2 million farm deduction.*

## EXCLUDED TAX PROVISIONS

We did not analyze the following proposals because we did not have enough information to estimate them or because we judged that they would have a negligible effect on tax revenues.

- Impose a tax on the fossil fuel industry for their contribution to pollution.
- Place a fee on imported carbon-pollution-intensive goods.
- Tighten rules facilitating treaty shopping.
- Limit the deduction to 105 percent of a corporation's share of net interest expense over worldwide earnings and tighten related rules.
- Deny foreign tax credits for excise tax payments by companies involved with oil, fossil fuel extraction, gambling, and some other industries.
- Increase the corporate income tax rate from 0.5 to 5 percentage points for companies that have a pay ratio between the chief executive officer and the median worker above 50 to 1.
- Expand the work opportunity tax credit to cover displaced energy workers.
- Impose a 25 percent tax on sales of non-owner-occupied properties sold within five years of their purchase for a profit.
- Impose a 2 percent tax on the property value of vacant homes.

## *Appendix C. Alternative Ways of Measuring Distributional Effects of Tax Changes*

Analysts use several measures to assess the distributional effects of tax changes. There is no perfect measure, and a combination of measures may be more informative than any single measure.[2]

The Tax Policy Center generally focuses on the percentage change in after-tax income because it measures the gain or loss of income available to households to buy goods and services relative to the amount available before the tax change. A tax change that raises or lowers after-tax income by the same percentage for all households leaves the progressivity of the tax system unchanged.

Other measures used to assess a tax change's effects include the shares of the tax change going to different parts of the income distribution, the size of each group's change measured in dollars, and the percentage change in total federal tax liability. The first two measures poorly indicate the effects of a tax change because they ignore the initial distribution of taxes and thus do not assess changes in a tax's progressivity. The percentage change in tax liability can be particularly misleading because it relies too much on the initial distribution of taxes. Cutting the tax on a person making $1,000 from $50 to $10 is an 80 percent cut, whereas reducing taxes on a person making $1 million from $250,000 to $150,000 is a 40 percent cut. But the tax savings boost after-tax income only about 4 percent for the lower-income person compared with more than a 13 percent increase for the higher-income person.

Appendix table A.3 shows several measures of the effects of Sanders's tax proposals on households at different income levels in 2021. Measured by percent change in after-tax income, the impact of the proposal increases steadily with income. The share of total tax change and average tax change also increase with income. In contrast, the percent change in tax paid declines over the first four income quintiles before increasing with income, simply because low-income tax units have low tax liability under current law.

[2] For further discussion, see "Measuring the Distribution of Tax Changes," Urban-Brookings Tax Policy Center, accessed March 18, 2020, https://www.taxpolicycenter.org/resources/measuring-distribution-tax-changes.

TABLE A3

## Alternative Ways of Presenting Change in Distribution of Tax Burdens under the Sanders Tax Plan

By expanded cash income percentile, 2021

| Expanded cash income percentile[a] | Percent change in after-tax income[b] | Share of total federal tax change (%) | Average federal tax change[c] | | Share of federal taxes | |
|---|---|---|---|---|---|---|
| | | | Dollars | Percent | Change (% points) | Under the proposal (%) |
| Lowest quintile | -1.1 | 0.8 | 170 | 33.5 | 0.0 | 0.7 |
| Second quintile | -1.3 | 2.0 | 480 | 15.0 | -0.3 | 3.2 |
| Middle quintile | -1.7 | 4.1 | 1,070 | 10.9 | -1.2 | 8.6 |
| Fourth quintile | -2.0 | 7.0 | 2,220 | 10.0 | -2.4 | 16.1 |
| Top quintile | -10.6 | 85.4 | 32,290 | 33.6 | 3.8 | 71.1 |
| All | -6.2 | 100.0 | 5,330 | 26.4 | 0.0 | 100.0 |
| | | | | | | |
| **Addendum** | | | | | | |
| 80-90 | -2.4 | 5.5 | 4,060 | 9.6 | -2.0 | 13.3 |
| 90-95 | -2.9 | 4.6 | 7,060 | 10.7 | -1.4 | 10.0 |
| 95-99 | -5.7 | 11.3 | 22,350 | 18.3 | -1.1 | 15.3 |
| Top 1 percent | -29.5 | 63.9 | 518,190 | 69.7 | 8.3 | 32.5 |
| Top 0.1 percent | -44.6 | 44.1 | 3,494,650 | 102.0 | 6.8 | 18.3 |

**Source:** Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2).

**Notes:** Estimates are for calendar year. Baseline is current law. Proposal includes all assumptions detailed in the appendix. Number of alternative minimum tax taxpayers is 0.2 million under baseline and 0.1 million under proposal.

(a) Percentiles include both filing and nonfiling units but exclude those that are dependents of other tax units. Tax units with negative adjusted gross income are excluded from their respective income class but are included in the totals. The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks (in 2019 dollars) are 20%: $26,200; 40%: $52,000; 60%: $93,300; 80%: $169,500; 90%: $247,700; 95%: $352,800; 99%: $837,400; 99.9%: $3,665,700. For a description of expanded cash income, see http://www.taxpolicycenter.org/TaxModel/income.cfm.

(b) After-tax income is expanded cash income less individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); estate tax; and excise taxes.

(c) Average federal tax (including individual and corporate income tax, payroll taxes for Social Security and Medicare, the estate tax, and excise taxes) as a percentage of average expanded cash income.

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