

Opinion: Think twice before changing the tax rules to soak billionaires

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This week, two telling stories about America's billionaire class.

First, billionaires in space: Jeff Bezos, who owns The Post, [announced](#) that, come July 20, he and his younger brother, Mark, would be riding along on the first crewed rocket launched by his space company, Blue Origin. Not to be outdone, reportedly British billionaire Richard Branson may be going suborbital [over the July Fourth weekend](#).

The second [story ran in ProPublica](#), after an anonymous benefactor gifted the outlet "a vast trove of Internal Revenue Service data ... covering more than 15 years." ProPublica analysis indicates that during that time, Jeff Bezos, Mike Bloomberg, Elon Musk, Carl Icahn and George Soros each had at least one year during which they paid no income tax.

We've always had rich people, of course. But today's rich people seem to be richer than in the past — so fantastically wealthy that they can afford to stage their own private space race. No wonder people suspect they're not paying enough taxes and reporters are eager to prove it.

Yet ProPublica's reporting suggests they didn't pay taxes in years when they made no money, and the deductions they were taking seem to be largely legitimate ones you've heard of — think charitable donations, not hidden offshore accounts. The main complaint is that ProPublica thinks the ultrawealthy ought to be taxed on a broader definition of income than the IRS uses.

The super-rich derive most of their income from financial assets, which can appreciate for decades before they're finally sold. The ability to defer taxes during those years is pretty valuable. ProPublica [calculated that, from 2014 to 2018, the 25 richest Americans paid taxes equal to 3.4 percent of their wealth gain and calls that their "true tax rate."](#)

ProPublica's formulation makes it sound like a loophole. In fact, that's how everyone's taxes work: Ordinary Americans don't pay income tax every time our stock portfolios go up or our homes appreciate a bit. We pay the tax when we sell. Why should American billionaires be different?

That's an important question. We talk a lot about rich people "paying their fair share," but we're rarely clear on what exactly we mean by that.

But then, Buffett has a lot more stock than I do, so he benefits more from this “neutral” rule. We might prefer rules that produce a fair outcome, or equity.

Those competing visions of fairness remain at the heart of many of today’s partisan debates, because they both have merits, and they are so often uncomfortably at odds: A footrace run by neutral rules will inherently produce one winner and many losers.

Yet almost everyone balks at choosing between them — so much so that when we’re talking about unequal outcomes, we tend to insist we’re really only mad because the winners broke the rules. Even if we must invent new rules for people to break, such as “You shouldn’t wait until you sell an asset to pay taxes on your capital gains.”

That idea has recently gained currency among some progressive academics, but it’s not how the U.S. tax code works, for good reason. It probably wouldn’t feel very fair if it applied to you and me — just because the value of your house jumped in a hot market doesn’t mean you have enough cash to pay taxes on that appreciation. And while the ultrawealthy wouldn’t be forced out of their family homes, they might be forced to sell off stock of a business they spent decades building. Eight of the 10 richest people in the United States got that way by building very successful firms from the ground up.

It’s not even a rule you’d make if you wanted to redistribute money to those more in need of it. Most of the European countries that had wealth taxes abandoned them after discovering they didn’t raise enough money to justify the administrative headache of assessing a bunch of hard-to-value assets, such as private companies and art. Or the economic distortions that resulted when wealthy people started trying to avoid the tax, for example, by investing elsewhere, or keeping their companies private.

“People should pay taxes on untaxed capital gains” is what you come up with if you just don’t think anyone should have enough money to be able to shoot themselves into space, and you think that the government should tax that money even if it doesn’t benefit anyone else — heck, even if it costs the rest of us something.

By some definitions of fairness, that’s a defensible position. But given a choice between letting billionaires spend fortunes reaching for the stars, or destroying those fortunes so that the rest of us don’t have to look at them, then personally, I’ll take the rockets.

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