

Jan. 15, 2019

## Estimate Shows Wide Variance in 70% Marginal Rate Revenue

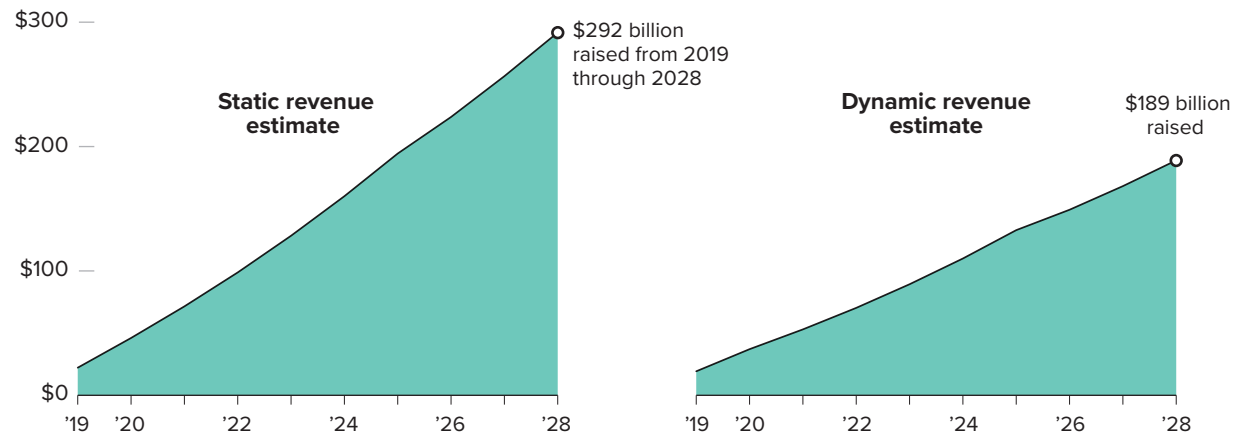
Preliminary analysis by the Tax Foundation shows that a 70 percent marginal tax rate for individuals — along the lines of Rep. Alexandria Ocasio-Cortez (D-N.Y.)’s recent suggestion — could either raise nearly \$300 billion dollars or lose \$64 billion dollars over 10 years, depending on proposal details. Levying the tax only on ordinary income would likely increase revenue, while taxing both ordinary and qualified income, such as investment income, would likely result in lost revenue as wealthier taxpayers shift behaviors to avoid taxation.

“Why such a big range? The treatment of capital gains,” tweeted Kyle Pomerleau, one of the report’s authors. “Counterintuitively, the proposal raises more revenue if it only applies to ordinary income. Applying the 70 percent rate to capital gains results in a huge decline in realizations.”

### Proposal 1: Tax only ordinary income

*“Add an 8th tax bracket at 70 percent on taxable income over \$10 million for all filing statuses. Applies to only ordinary income. Bracket widths are not adjusted for filing status.”*

Note: Static estimates do not take into account macroeconomic effects, while dynamic estimates take into account changes in behavior based on the policy being assessed.

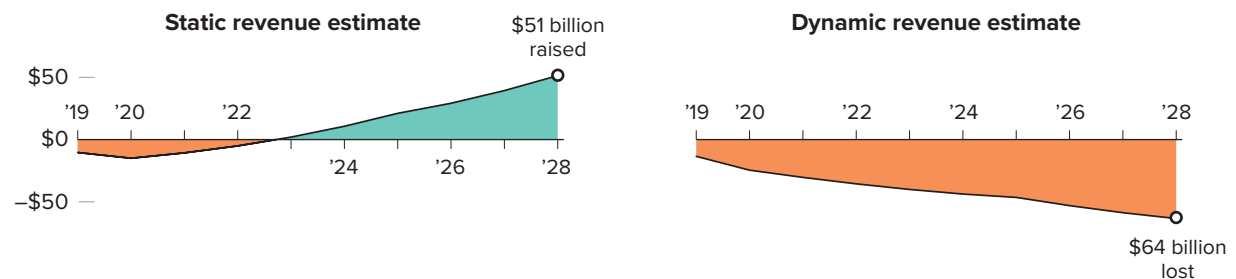


### Proposal 2: Tax ordinary and qualified income

*“Add an 8th tax bracket at 70 percent on taxable income over \$10 million for all filing statuses. Applies to ordinary income and qualified income. Bracket widths are not adjusted for filing status.”*

Sources: Tax Foundation, Vox

By Taylor Miller Thomas, POLITICO Pro DataPoint



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