Budget Model

Important Names

Alex Arnon  Zheli He  John Ricco
Efraim Berkovich  Austin Herrick  Sophie Shin
Marcos Dinerstein  Jon Huntley  Xiaoyue Sun
Jagadeesh Gokhale  Victoria Osorio  Daniela Viana Costa
Yan He  Felix Reichling  Zhenfei Yue
OUTLINE

• Current Treatment
• Tax Base
• Potential Leakages
• Macroeconomic Effects
CURRENT TREATMENT

• Taxed:
  • Income
  • Consumption

• How:
  • Information Returns (W-2, 1099)
  • Incidence/Remittance

• Why:
  • Progressivity
CURRENT TREATMENT

• *Not Taxed:*
  • Wealth
  • Exceptions: (Estate, Real Estate)
• How?
• Why?
CURRENT TREATMENT

• Why (or Why not) Tax Wealth?
  • Distributional
  • Efficiency
  • Administrative
  • Constitutional
THE TWO BASES
Adjusted Gross Income and Wealth
FLEXIBILITY OF INCOME

• Intertemporal Shift
  • Capital Gains

• Base Shift
  • Choice of Entity

• Flavor Shift
  • Capital vs. Labor

• Combination
FLEXIBILITY OF WEALTH

• Valuation
  • Tradeable vs Non-Tradeable
• International
• Charity
• Divisibility
STYLIZED WEALTH TAX SCENARIOS

• Not a specific plan, but showing how key macroeconomic variables vary by the wealth tax rate

• Analysis of Senator Warren’s plan will be released on December 12th
  • Her plan includes additional features not covered by the stylized scenarios discussed on the next slide
MACROECONOMIC EFFECT
Preliminary

Impact on 2030 GDP by stylized wealth tax rate
($50M threshold)
Preliminary

<table>
<thead>
<tr>
<th>Wealth Tax Rate</th>
<th>GDP Impact</th>
<th>Capital Stock Impact</th>
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<tr>
<td>1%</td>
<td>-7%</td>
<td>-6%</td>
</tr>
<tr>
<td>3%</td>
<td>-5%</td>
<td>-4%</td>
</tr>
<tr>
<td>5%</td>
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GDP vs. Capital stock graphic