

How the Federal Tax Code is Driving Inequity and What You Can Do About It

A webinar hosted by the Asset Funders Network, PolicyLink and co-hosts

Thursday, Nov. 7th, 2013
11:00am-12:00pm PST – 2:00 pm-3:00 pm EST

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Webinar Co-hosts

- Asset Funders Network
- CFED
- Center for Global Policy Solutions
- Center for Social Development
- ColorOfChange
- Greenlining Institute
- Insight Center for Community Economic Development
- Institute on Assets and Social Policy
- Institute for Women's Policy Research
- National Coalition for Asian Pacific American Community Development
- National Urban League
- National Council of La Raza
- New America Foundation
- Oklahoma Native Assets Coalition
- PICO National Network
- PolicyLink
- UCLA Asian American Studies Center

The Asset Funders Network Tax Policy Project

The Asset Funders Network (AFN)

- ❖ Working to increase the capacity of grantmakers to effectively promote economic security by supporting efforts that help low and moderate income individuals build and protect assets.
- ❖ <http://assetfunders.org/>

The AFN/Tax Policy Project

- ❖ Convening asset-building and other leaders to identify inclusive, progressive, and equitable tax policies that expand savings and investment opportunities for low and moderate-income households and households of color.
- ❖ <http://assetfunders.org/empower/tax-policy-reform-project/>

Webinar Agenda

I. Welcome and Overview

- Heather McCulloch, Manager, Asset Funders Network/Tax Policy Project

II. Presenters

- Eugene Steuerle, Co-Founder, Urban-Brookings Tax Policy Center
- Jeremie Greer, Director of Government Affairs, CFED
- Solana Rice, Associate Director, PolicyLink

III. Moderated Question and Answer Session

- *Please submit questions via the question box on your control panel to webinar moderator, Heather McCulloch, at any point during the presentation. She will select questions to verbally ask the presenters during Q&A.*

IV. Closing Comments

- Heather McCulloch, Manager, Asset Funders Network/Tax Policy Project

Presenters

How the Federal Tax Code is Driving Inequity

Heather McCulloch
AFN/Moderator



Eugene Steuerle
Tax Policy Center



Jeremie Greer
CFED



Solana Rice
PolicyLink



Overview: Why Should Equity Advocates Care About Tax Reform?

- The primary purpose of U.S. tax system is to generate revenue, but it also advances public policy goals.
- Tax expenditures incentivize households to save and invest, but they disproportionately benefit wealthier households.
- Discussions about comprehensive tax reform have been underway in Congress for over a year.
- Largely missing from discussion: How to make individual tax expenditures more fair?

Tax Expenditures and the Asset Development Budget

C. Eugene Steuerle

Richard B. Fisher Chair & Institute Fellow

 URBAN INSTITUTE



Tax Policy Center



What are Tax Expenditures?

“...**revenue losses** attributable to provisions of the Federal tax laws which allow a special **exclusion**, **exemption**, or **deduction** from gross income or which provide a special **credit**, a **preferential rate** of tax, or a **deferral** of tax liability”

—Congressional Budget and Impoundment Act of 1974

10 Largest Individual Tax Expenditures, 2013

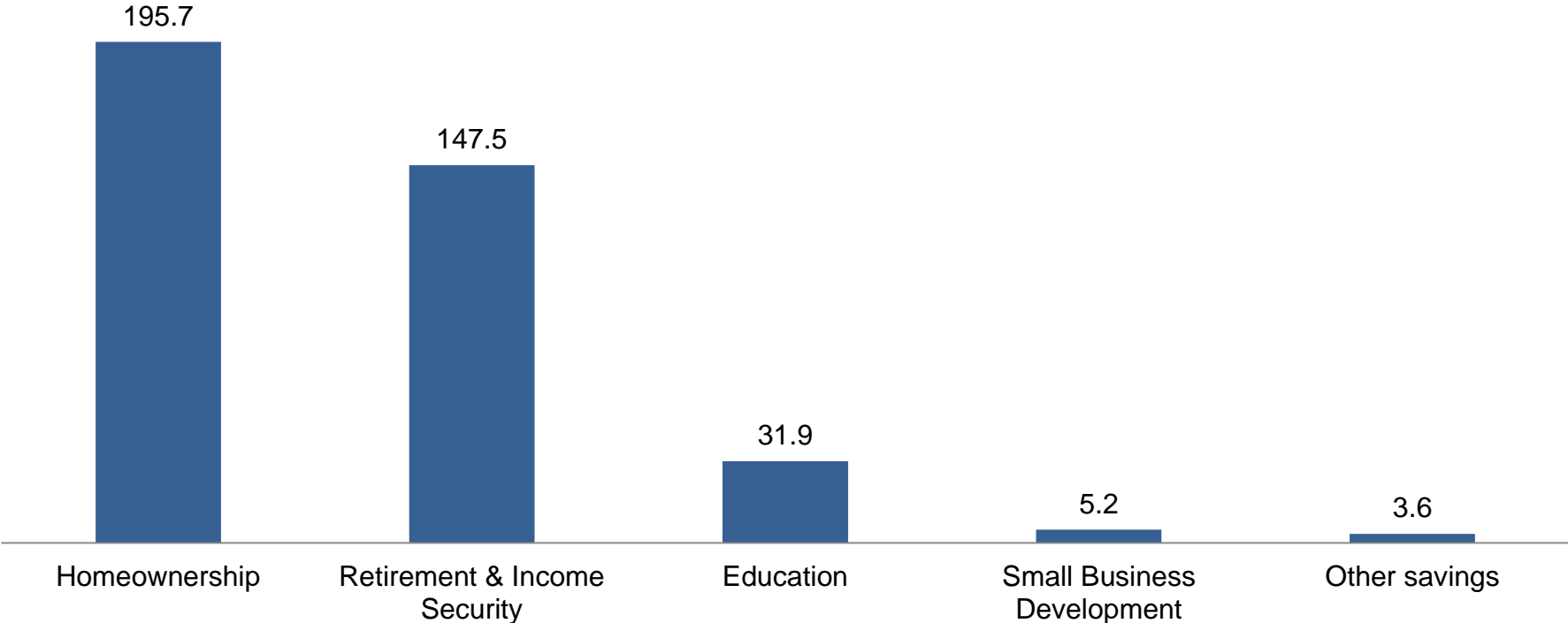
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums	\$ 131.7 bn
Net exclusion of pension and IRA contributions and earnings	116.1
Deduction for mortgage interest on owner-occupied residences	69.7
Exclusion of Medicare benefits	67.0
Earned income credit*	60.9
Credit for children under age 17*	57.3
Deduction of nonbusiness State and local government income taxes, sales taxes, and personal property taxes	50.3
Exclusion of capital gains at death	42.8
Deduction for Charitable Contributions	39.0
Exclusion of untaxed Social Security and railroad retirement benefits	33.0

Joint Committee on Taxation, 2013

* Includes refundable portion of the credit

Individual Income Tax Expenditures for Asset Development by Asset Category, FY2013

Billions of Dollars



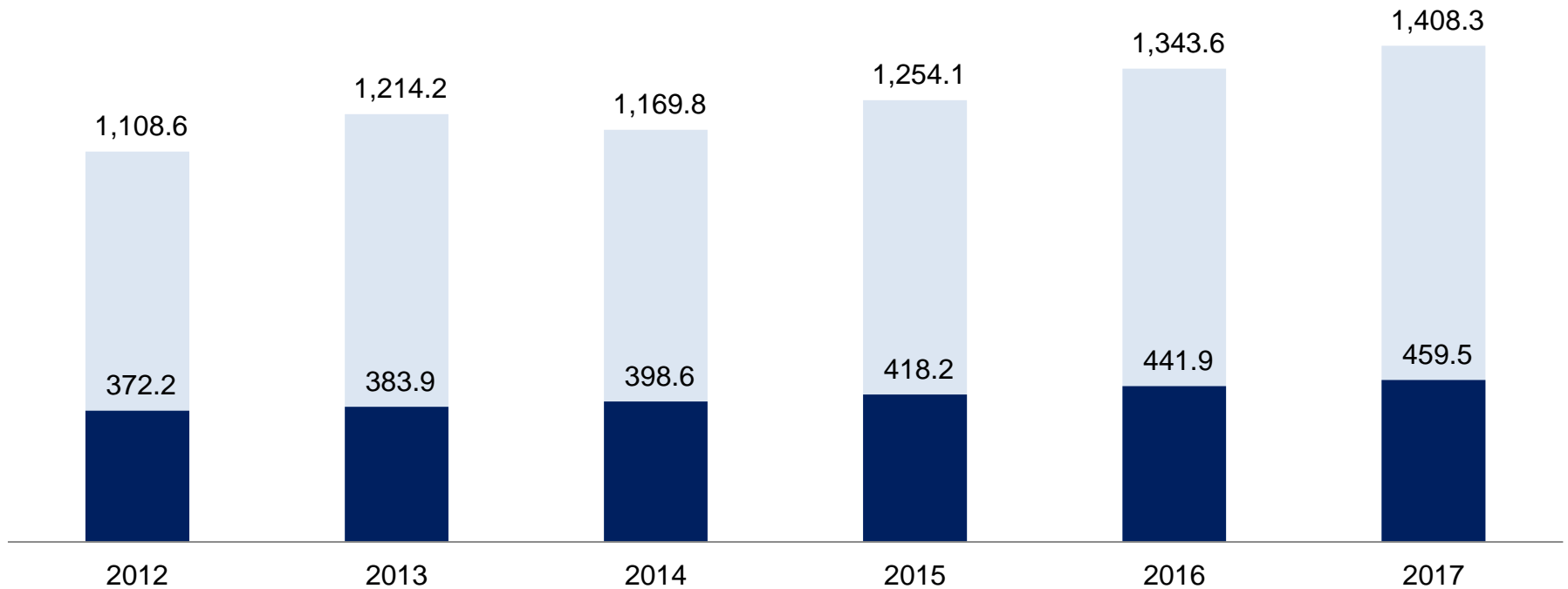
Washington, DC: Urban Institute. Calculations based on data from, Joint Committee on Taxation, Estimates of Federal Tax Expenditures for Fiscal Years, 2012-2017; and OMB Analytical Perspectives FY2014, and CBO's February 2013 economic baseline.

Projected Individual Tax Expenditures 2012-2017

Billions of 2013 dollars

■ All Individual Tax Expenditures

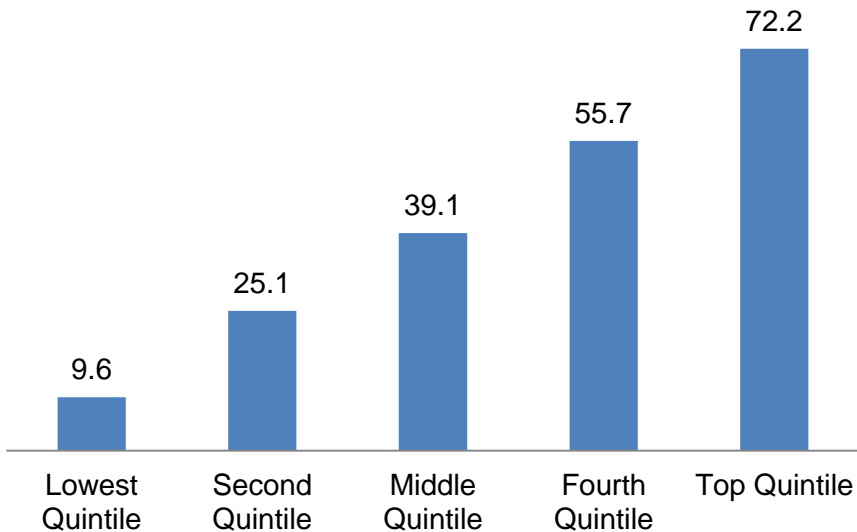
■ Asset Development Tax Expenditures



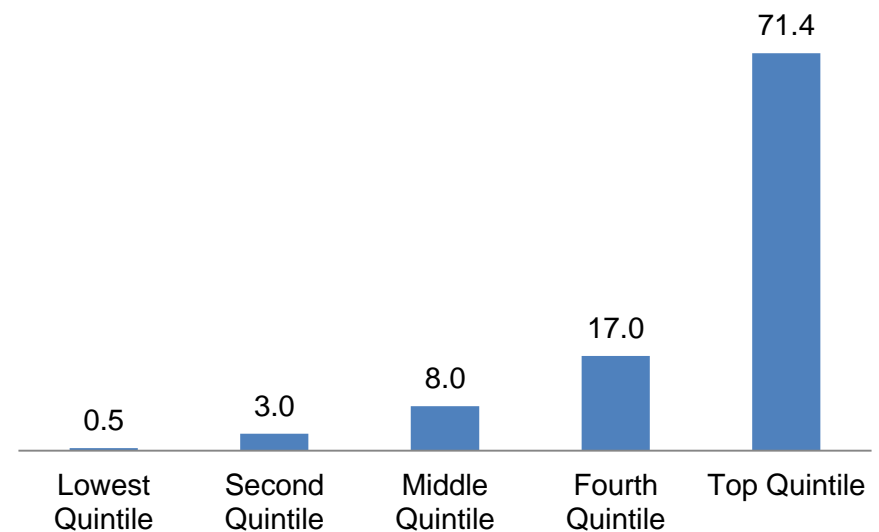
Washington, DC: Urban Institute. Calculations based on data from, Joint Committee on Taxation, Estimates of Federal Tax Expenditures for Fiscal Years, 2012-2017; and OMB Analytical Perspectives FY2014, and CBO's February 2013 economic baseline.

Distribution of Tax Expenditures for Employer-Based Retirement Plans, 2013

Percentage of tax units claiming deduction



Share of total benefit



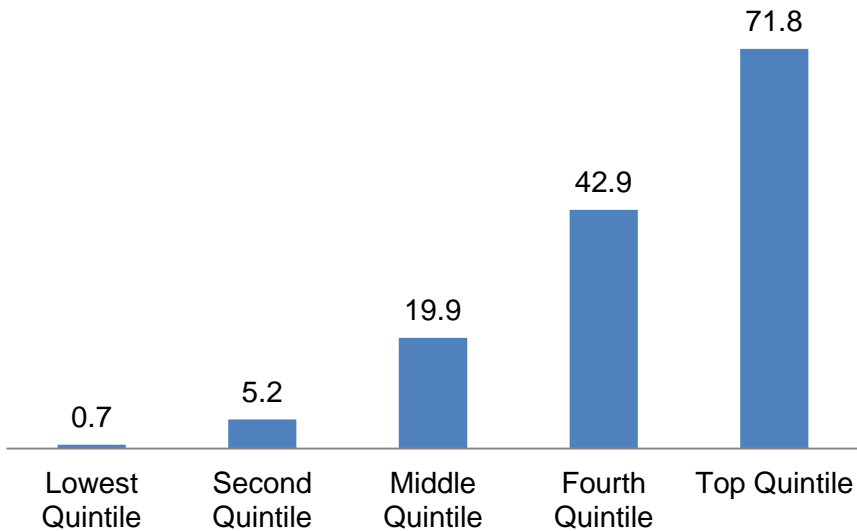
Urban-Brookings Tax Policy Center Microsimulation Model (version 0613-1e)



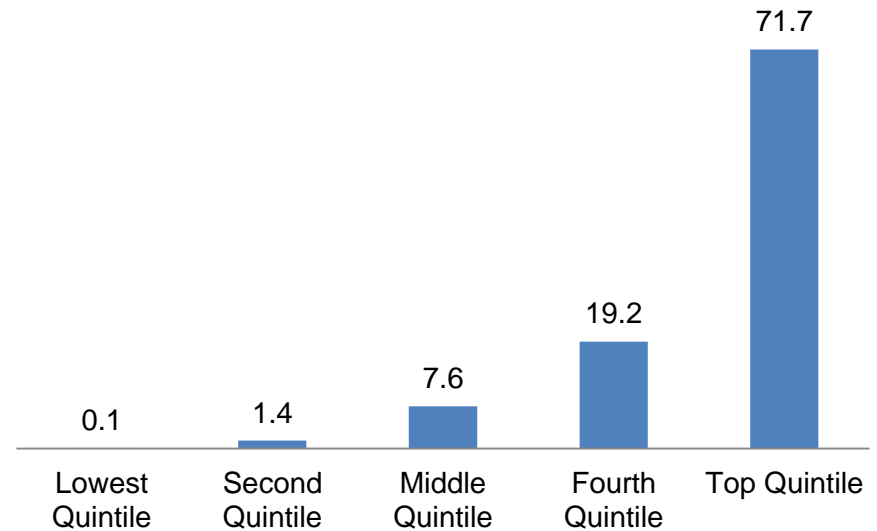
Tax Policy Center
Urban Institute and Brookings Institution

Distribution of Mortgage Interest Deduction, 2013

Percentage of tax units claiming deduction



Share of total benefit



Urban-Brookings Tax Policy Center Microsimulation Model (version 0613-1e)



Tax Policy Center
Urban Institute and Brookings Institution



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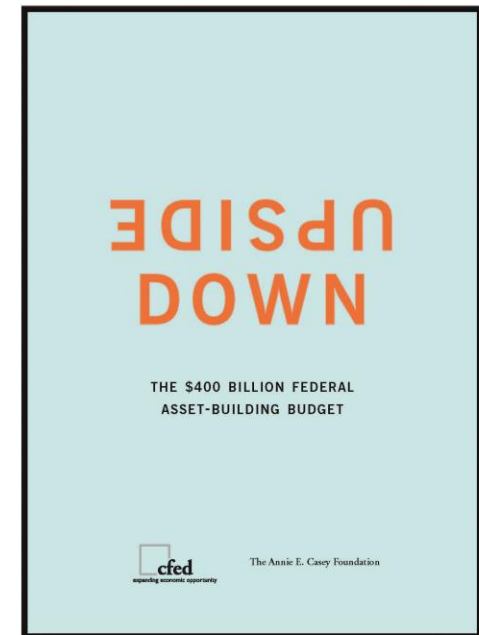
Opportunity for Asset-Building in Tax Reform

Asset Funders Network

Thursday, November 7, 2013

Comprehensive Tax Reform

- The US Tax Code is central in helping individuals grow assets and accumulate wealth
 - ✓ Mortgage Interest Deduction
 - ✓ Special Rate for Capital Gains
 - ✓ Credits for Children and Earned Income
 - ✓ Business related credits and deductions



The Politics

- Baucus and Camp's
 - Tax Reform is happening until it's not
 - Ways & Means and Senate Finance call for ideas; Upcoming drafts
- Calculations by other members
 - Specter of Wyden
 - Impact of Tea Party
- Impact of budget negotiations on tax reform
- Why this is not 1986
 - Revenue and other fundamental disagreements
- Advocates' role
 - Building coalitions and grassroots support

The Policy Proposals

- Develop, discuss, achieve coalition buy-in around policy proposals
- Some of these proposals include:
 - Saver's Credit Reform
 - Education Savings Tax Incentives
 - Homeownership Tax Incentives (Reform of the Mortgage Interest Deduction?)
 - Entrepreneurship Tax Incentives
 - Retirement Tax Incentives

What Should Advocates Do?

- Get angry
- Get informed
- Get involved

Join the Assets & Opportunity Network as a General Member!



- Stay informed
- Share your experiences
- Participate in intensive learning opportunities
- Engage in national dialog on asset-building solutions
- Access responsive technical assistance
- Be eligible for event scholarships
- Build your communications skills



To join or learn more, go to assetsandopportunity.org/network

www.cfed.org



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 cfed.org/blog/inclusiveeconomy



Tax Reform and the Racial Wealth Gap

Solana Rice, Associate Director

PolicyLink

Opportunity



- More stable than discretionary spending
- Can reward saving & investment
- In current debates

Why talk about race?

- Under-represented in wealthier quintiles
- ‘Low-income’ may mask worse outcomes
- May reinforce other racialized policies
- Sparse data

TAX EXPENDITURES



- DEDUCTIONS



- EXCLUSIONS

401K



TAXABLE
INCOME

- CREDITS

Earned
Income

- PREFERENTIAL
TAX RATES

%

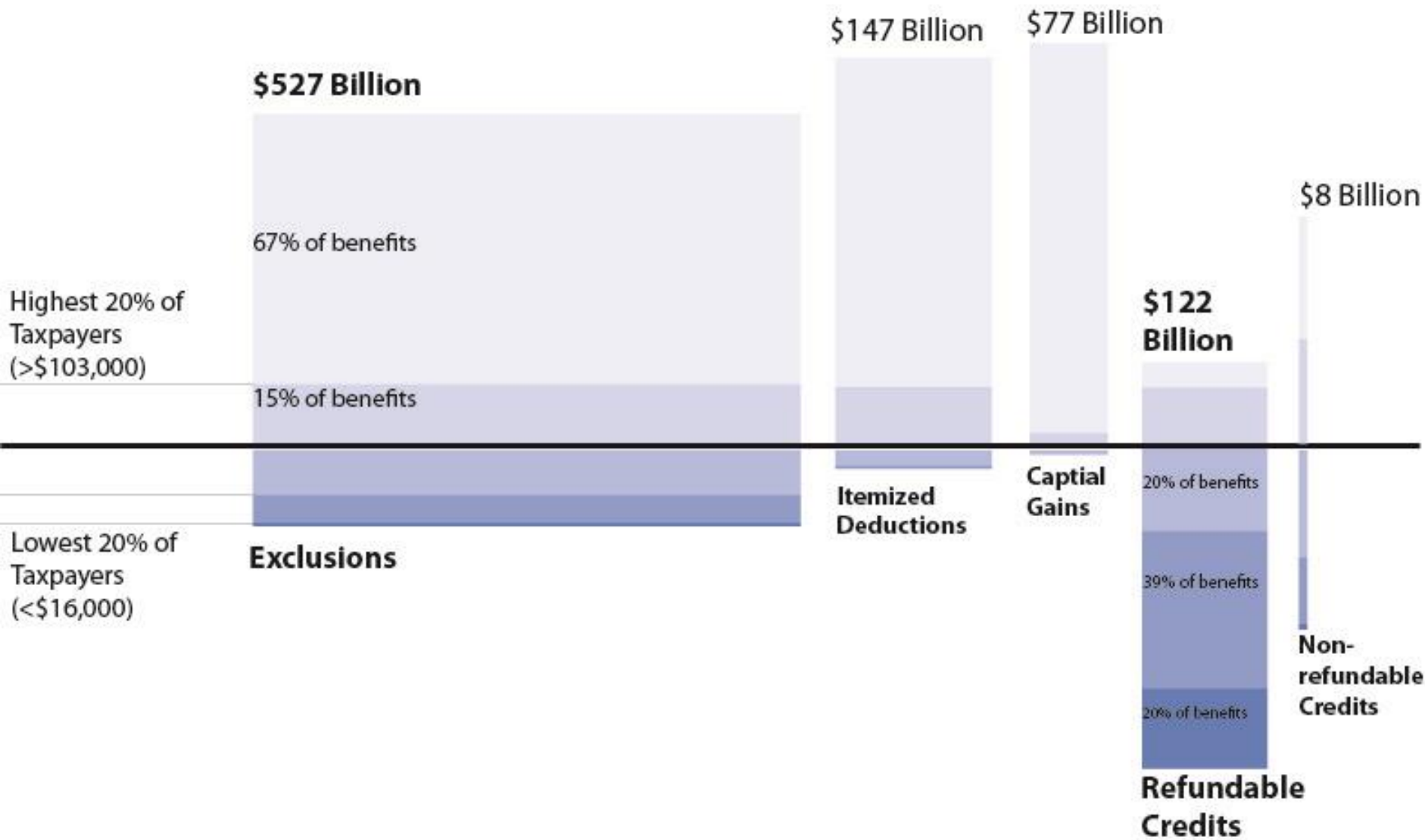


TAX
LIABILITY

Lifting Up What Works®

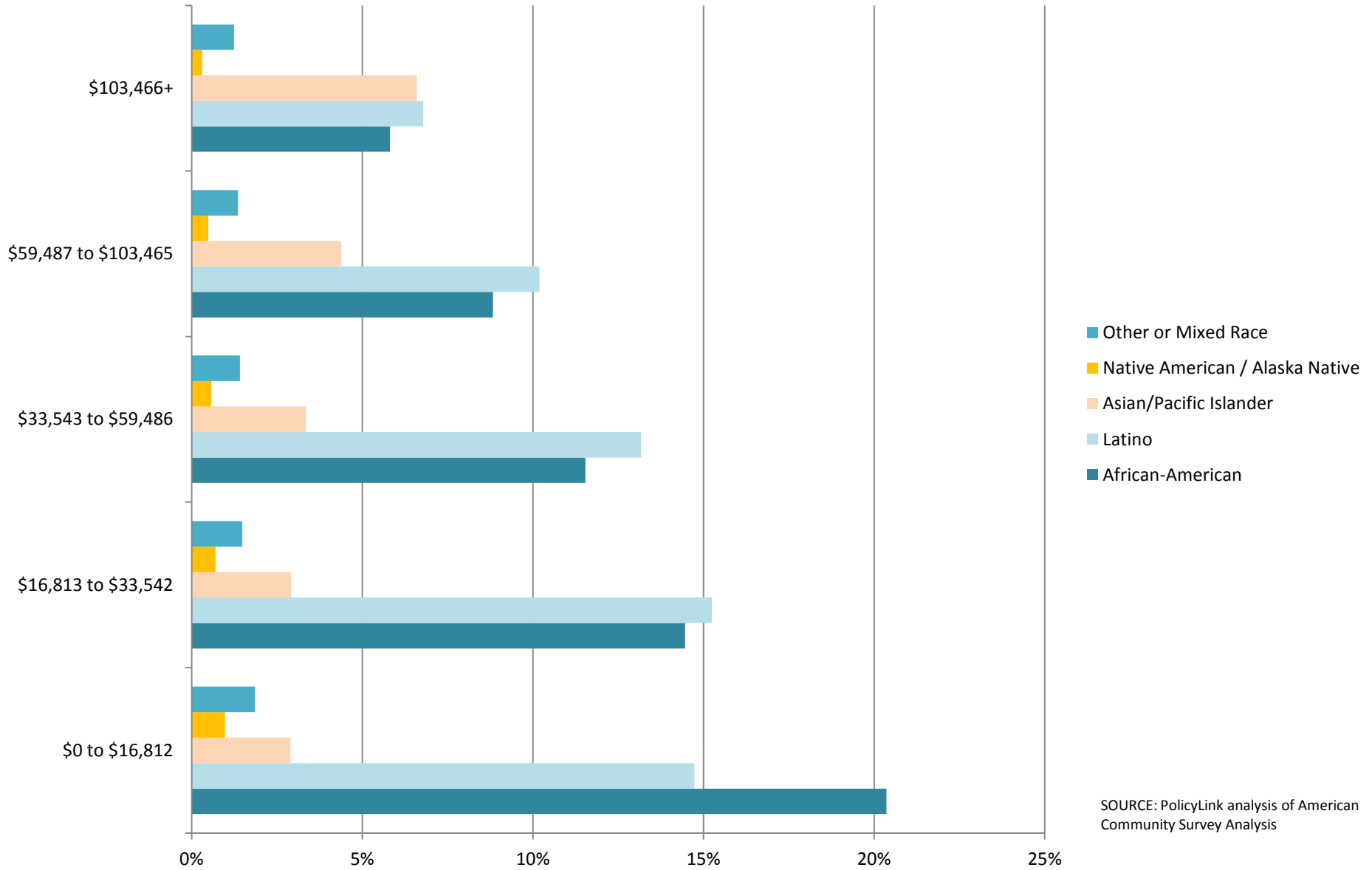
PolicyLink

Distribution of 5 Tax Expenditures by Income (2011)



SOURCES: Tax Policy Center, PolicyLink Analysis of American Community Survey

Income Quintiles by Race (2011)



SOURCE: PolicyLink analysis of American Community Survey Analysis

Exclusion from Code

- Home Mortgage Interest Deduction
 - Ownership is low
 - Rate of itemizing is low
- Retirement Savings
 - Low participation in plans – 39.7% of all workers (EBRI, 2011)
- Capital Gains
 - 68% is going to households in the top 1% of earners. (CBO)



Dedicated Credits

- Earned Income Tax Credits
 - 27.5 million (2010)
 - 20-25% eligible not receiving
 - Encourages work & benefits children



Act

- Continue to ask questions & inform others
- Stay connected to partner organizations
- Share your experience and provide feedback on proposals
- Register & Discuss on [AccessstoFinancialSecurity.org](https://www.AccessstoFinancialSecurity.org)

Lifting Up What Works[®]

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Q&A/Respondents

How the Federal Tax Code is Driving Inequity

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Asset Funders Network

- ❖ Please fill out our short pop-up survey that will show up on your screen momentarily.
- ❖ Continue the conversation on Access! Join experts from today's panel and other colleagues in the field at: <http://bit.ly/discussfairtaxes>, where you can continue to ask questions and post your comments.
- ❖ Your feedback is greatly appreciated. Thank you!



Asset Funders Network

Our webinar has concluded.

Thank you for attending.