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eliminate poverty through a tax surcharge on
households earning incomes of more than
\$100,000 per year**

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[Introductory note: The paper below began life a couple of years ago as a proposal, circulated among various activists of the reparations movement in the Black community. The title was: “A proposal to establish a social fund in the USA for reparations and other human needs .” That remains the political orientation of the papers’ authors. We recognize, however, that the same mechanism can be used for generating funds that would allow for the institutionalization of a guaranteed annual income (or other specific purposes). The main goal is to move toward the elimination of poverty in the USA and, we would urge, around the world--through some mechanism that would equalize the distribution of wealth which is, today, obscenely skewed in favor of those who are already rich.

Because the authors are activists, and not academics, some figures here are based on estimates of income distribution among those households in the USA which have an annual income of more than \$100,000. We assume that plugging in the actual figures will not qualitatively alter our result. We submit the text as is in order to suggest a general methodology which we believe to be sound, and ask the assistance of others in quantifying the potential more precisely.]

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A proposal to establish a social fund in the USA to eliminate poverty through a tax surcharge on households earning incomes of more than \$100,000 per year

by **Abe Bloom and Steve Bloom**

1) The facts of the matter:

All figures below are from the *Statistical Abstract of the United States, 2002* and are for the year 2000. We have rounded to nearest \$500:

From table 638:

Average personal income: \$29,500

From table 51:

Average household = 2.6 people

Average family = 3.2 people

It follows then that

Average household income is: \$76,700 (2.6 x \$29,500)

Average family income is: \$94,500 (3.2 x \$29,500)

For comparison:

Median household income is: \$42,000 (from table 652)

Median family income is: \$51,000 (from table 661)

This difference between the average income (total of all income divided by the number of households or families) and the median income (the income of the family or household in the middle of a ranking from bottom to top) gives us a picture of the way wealth distribution is skewed toward the top in the USA. If income distribution were equitable the median and average would be the

same. If the lowest-income families had a greater portion of the wealth, the median would be higher than the average. Another way to understand this is to note that more than 75 percent of households have incomes of less than \$75,000 (that is, less than average) while only 23.8 percent have an income greater than average (from table 652).

From here out we will deal with “households,” which is a more inclusive category than “families.”

The income distribution for all households (from table 652):

under \$15,000	16.0%
\$15,000-24,999	13.4%
\$25,000-34,999	12.5%
\$35,000-49,999	15.5%
\$50,000-74,999	18.9%
\$75,000-99,999	10.4%
\$100,000 plus	13.4%

Total number of households above \$100,000: 14,260,000

2) How much revenue could a tax surcharge on the richest 13.4 percent of households produce?

If we assume that households earning more than \$100,000 per year have the same percentage distribution from bottom to top as do all households we can project the following figures:

Distribution of income for households earning more than \$100,000

Income level	%	Est. # of households
\$100,000 to \$500,000	57.4	8,185,240
\$500,000 to \$1,000,000	29.3	4,178,180
\$1,000,000 to \$50,000,000	8.0	1,140,800
over \$50,000,000	5.3	755,780

But we know that the distribution for the highest income levels is even more skewed than it is for the population as a whole. We will need to plug in these numbers more precisely, but for now let us assume something like the following:

\$100,000 to \$500,000	62	8,841,200
\$500,000 to \$1,000,000	31	4,420,600
\$1,000,000 to \$50,000,000	5	713,000
over \$50,000,000	2	285,200

If we now extrapolate again, but conservatively again (we think), and figure that

1) households earning between \$100,000 and \$500,000 would, on average, generate \$100,000 each in income over \$100,000;

2) those between \$500,000 and \$1,000,000 would generate \$400,000 in income over \$100,000 plus an additional \$150,000 in income over \$500,000;

3) those between \$1,000,000 and \$50,000,000.would generate \$400,000 in income over \$100,000 plus \$500,000 in income over \$500,000, plus \$15,000,000 in income over \$1,000,000; and

4) those over \$50,000,000 would generate \$400,000 in income over \$100,000 plus \$500,000 over \$500,000, plus \$49,000,000 over \$1,000,000, plus \$20,000,000 over \$50,000,000..

We can then come up with the following amounts of money on which a tax surcharge could be levied:

Est. # of households		Est. total excess income
8,841,200	(x \$100,000)	\$ 884,120,000,000
4,420,600	(x \$400,000)	\$ 1,768,240,000,000
	(x \$150,000)	\$ 663,090,000,000
713,000	(x \$400,000)	\$ 285,200,000,000
	(x \$500,000)	\$ 356,500,000,000
	(x \$15,000,000)	\$10,695,000,000,000
285,200	(x \$400,000)	\$ 114,080,000,000
	(x \$500,000)	\$ 142,600,000,000
	(x \$49,000,000)	\$13,974,800,000,000
	(x \$20,000,000)	\$ 5,704,000,000,000

If we now project a very modest tax surcharge of 5% on income over \$100,000, 10% on income over \$500,000, 15% on income over \$1,000,000, and 25% on income over \$50,000,000, we come up with the following potential revenue:

5% of	\$ 3,051,640,000,000	\$ 152,582,000,000
10% of	\$ 1,162,190,000,000	\$ 116,219,000,000
15% of	\$24,699,800,000,000	\$3,700,470,000,000
25% of	\$ 5,704,000,000,000	\$1,426,000,000,000

Total revenue		\$5,395,271,000,000

Yes, that is more than 5 *trillion* dollars. Obviously a more aggressive tax would generate even more revenue. But the point is made.

3) For comparison:

Total spent on medical care by all consumers in 2000 = \$1,173,900,000,000 (or about 22 percent of the total revenue projected above).

Total spent on private education by all consumers in 2000 = \$159,900,000,000 (or about 3 percent of the total revenue projected above)..

If used for direct payments to all Black households as a form of reparations (not something we favor, but which is talked about and useful, again, for the purposes of comparison) each of 13,355,000 households could receive a little more than \$400,000 as a one-time lump-sum payment after just one year of such a tax being levied.

Each of the 100-plus million household in the USA (including the richest) could be guaranteed an annual payment of \$20-25,000, still leaving more than one half of our total social fund for other uses (health care, education, aid to developing countries, etc.).