

**FOR IMMEDIATE RELEASE**

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**FACT SHEET:**

**President's Budget Rewards Work, Not Wealth with New Billionaire Minimum Income Tax**

For too long, our tax code has rewarded wealth, not work, and contributed to growing income and wealth inequality in America. Under current law, when an American worker earns a dollar of wages, that dollar is taxed as they earn it. But when a billionaire earns income because their investments increase in value, that gain is too often never taxed at all.

America's imbalanced tax code means that many millionaires and billionaires end up paying lower tax rates than middle class workers. In 2021 alone, America's more than 700 billionaires saw their wealth increase by \$1 trillion, yet in a typical year, billionaires like these would pay just 8 percent of their total realized and unrealized income in taxes. A firefighter or teacher can pay double that tax rate.

President Biden is a capitalist and believes that anyone should be able to become a millionaire or a billionaire. He also believes that it is wrong for America to have a tax code that results in America's wealthiest households paying a lower tax rate than working families. President Biden has long called for taxing capital gains as ordinary income and for eliminating the stepped-up basis loophole that enables the capital gains of the very wealthy to go untaxed forever. As part of his fiscal year 2023 budget, President Biden is calling on Congress to pass legislation requiring the wealthiest American households to pay a minimum of 20 percent on all of their income, including unrealized investment income that currently is untaxed.

President Biden's Billionaire Minimum Income Tax will make America's tax code fairer and reduce the deficit by about \$360 billion in just the next decade. This will put the United States Government on firmer financial footing, building on the progress the Administration has made to reduce the deficit by over half by the end of this year compared to President Trump's last year in office. Through the Billionaire Minimum Income Tax and other measures, the President's budget will reduce the deficit by another \$1 trillion over the decade.

**The Billionaire Minimum Income Tax will require America's wealthiest households to pay as they go, just like everyone else:**

The Billionaire Minimum Income Tax will ensure that the very wealthiest Americans pay a tax rate of at least 20 percent on their full income, including unrealized appreciation. This minimum tax would make sure that the wealthiest Americans no longer pay a tax rate lower than teachers and firefighters.

The tax will apply only to the top one-one hundredth of one percent (0.01%) of American households (those worth over \$100 million). Over half of the revenue will come from households worth more than \$1 billion.

If a wealthy household is already paying 20 percent on their full income – standard taxable income plus unrealized income – they will pay no additional tax under this proposal. If tax-free unrealized income allows a wealthy household to pay less than 20 percent on their full income, they will owe a top-up payment to meet the 20 percent minimum. As a result, this new minimum tax will eliminate the ability for the unrealized income of ultra-high-net-worth households to go untaxed for decades or generations.

The proposal allows wealthy households to spread initial top-up payments on unrealized income over nine years, and then five years for top-up payments on new income going forward. Stretching payment over multiple years will smooth year-to-year variation in investment income, while still ensuring that the wealthiest end up paying a minimum tax rate of 20 percent. Illiquid taxpayers may opt to pay later with interest.

In effect, the Billionaire Minimum Income Tax payments are a prepayment of tax obligations these households will owe when they later realize their gains. This approach means that the very wealthiest Americans pay taxes as they go, just like everyone else, and eliminates the inefficient sheltering of income for decades or generations.

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