
Thursday, October 25, 2018
Carmen Shorter
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Contact: cshorter@prosperitynow.org
• This webinar is being recorded and will be available online within one week.

• All webinar attendees are muted to ensure sound quality.

• **Ask a question any time** by typing the question into the text box of the GoToWebinar Control Panel.

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Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.

The Institute on Taxation and Economic Policy (ITEP)’s mission is to conduct rigorous analyses of tax and economic proposals and provide data-driven recommendations on how to shape equitable and sustainable tax systems. ITEP’s expertise and data uniquely enhance federal, state, and local policy debates by revealing how taxes affect both public revenues and people of various levels of income and wealth.
| **OUR UNIQUE PROMISE & VALUES** |

<table>
<thead>
<tr>
<th><strong>Prosperity Now</strong></th>
<th><strong>ITEP</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>We open doors to opportunity</strong> for those who have been kept off the path to prosperity.</td>
<td>Taxes are the building blocks of a thriving economy and society, providing the resources for necessary investments in our communities.</td>
</tr>
<tr>
<td><strong>We help people build wealth</strong> by making sure they have what they need to build a better future.</td>
<td>But as it is, our tax system too often fails to raise enough revenue to fund our common priorities, and state and local tax systems ask more of those who have the least. We believe the nation will be at its best when it lives up to the ideal of broadly shared prosperity for all.</td>
</tr>
<tr>
<td><strong>We enable meaningful mobility</strong> through research, policies and solutions.</td>
<td><strong>To move toward this vision, we promote common sense tax policies that are responsive to our ever-changing economy and that raise revenue in an equitable and sustainable way.</strong></td>
</tr>
</tbody>
</table>
AGENDA

- Overview of Prosperity Now’s & ITEP’s tax policy research
- How much the Federal Government spends on asset/wealth-building tax programs
- The rising cost of upside-down asset/wealth-building programs
- Overview of Prosperity Now’s racial wealth divide research
- A look at the past, present and future state of the racial wealth divide—and what’s behind this growing divide
- Racial implications of tax policy
- Findings from our recent joint paper, Race, Wealth and Taxes
TODAY’S SPEAKERS

Meg Wiehe
Deputy Director, ITEP
Contact: meg@itep.org

Emanuel Nieves
Senior Policy Manager, Prosperity Now
Contact: enieves@prosperitynow.org

Jeremie Greer
Vice President, Policy & Research, Prosperity Now
Contact: jgreer@prosperitynow.org
All of Prosperity Now’s and ITEP’s tax policy research, including the reports listed above, can be accessed on our respective website’s resource and publication directories.
FEDERAL SPENDING ON ASSET / WEALTH-BUILDING TAX PROGRAMS

Annual Spending on Asset-Building Tax Programs Since 1994

- Homeownership
- Investments and Inheritances
- Retirement Savings
- Higher Education

SOURCE: From Upside Down to Right-Side Up: Redeploying $540 Billion in Federal Spending to Help All Families Save, Invest and Build Wealth, Prosperity Now
The rising cost of upside asset / wealth-building programs

Shares of Federal Tax Cuts Going to Each Income Group, 2001 Through 2018

- Poorest 20%: 3%
- Second 20%: 7%
- Middle 20%: 9%
- Fourth 20%: 16%
- Richest 20%: 65%
  - Top 1%: 22%
  - Next 4%: 16%
  - Next 15%: 27%

Excludes tax break "extenders" for businesses like bonus depreciation

Source: ITEP analysis
THE RISING COST OF UPSIDE ASSET / WEALTH-BUILDING PROGRAMS

SOURCE | Prosperity Now analysis of Office of Management and Budget data
PROSPERITY NOW’S
RACIAL WEALTH DIVIDE RESEARCH
THE EVER-GROWING RACIAL WEALTH DIVIDE

MEDIAN HOUSEHOLD WEALTH (2016)

WITH DURABLE GOODS

White: $171,000
Latino: $20,920
Black: $17,409

WITHOUT DURABLE GOODS

White: $140,500
Latino: $6,300
Black: $3,400

SOURCE | 2016 Survey of Consumer Finances, Board of Governors of the Federal Reserve System (wealth with durable goods); Running in Place: Why the Racial Wealth Divide Keeps Black and Latino Families From Achieving Economic Security (wealth without durable goods), Prosperity Now

PROSPERITY NOW
THE EVER-GROWING RACIAL WEALTH DIVIDE

MEDIAN HOUSEHOLD WEALTH, 1983-2016


PROSPERITY NOW
THE FUTURE OF THE RACIAL WEALTH DIVIDE


PROSPERITY NOW
Without Change to the Racial Wealth Divide, “Catching up” to White Wealth Will Be Nearly Impossible for Households of Color

If median Black and Latino wealth* grew at the same pace it has over the past thirty-three years.

Abolition of slavery in the United States

Median black wealth hits zero

Latino families achieve wealth parity with white families of 2016

1620 1865 1964 2016 2080 4029

245 YEARS

2013 YEARS

*excluding durable goods


PROSPERITY NOW
GOVERNMENT BOOSTS AND BLOCKS TO BUILDING WEALTH

BOOSTS

Pre-1776 Land Grants to Colonists
1849 Gold Rush Land Claims
1862 Homestead Acts
1855 Preemptive Acts
1913 Home Mortgage Interest Deduction
1936 New Deal, Federal Housing Loans, Social Security, Labor Rights
1944 GI Bill
1997 Tax Cuts for Asset Owners

CIVIL WAR

1776 Land Thefts
1830 Indian Removal Act
1845 - 1848 Annexation of Mexican Land
1860 Mexican Land Loss
1875 Slavery in Constitution
1850 Fugitive Slave Law
1882 Chinese Exclusion Act & Other Asian Exclusions
1887 Allotment Act
1893 Hawaii Annexed
1924 US Border Patrol
1934 Indian Reorganization Act
1952 Asian Naturalization
1962 Cuban Refugee Assistance Act
1977 Community Reinvestment Act
1988 Japanese Reparations

VIETNAM WAR

1935 FHA Redlining
1960 Farm Loss Due to USDA
1965 Immigration Quotas
1994 NAFTA

ELECTION OF OBAMA

1953 Tribal Termination
1956 Tribal Taxation
1968 Mortgage Bubble
2008 Obama

BLOCKS

1924 Monroe Doctrine
1882 Jim Crow Laws
1896 Fugitive Slave Law
1898 English Only Laws
1858 Mexican Land Loss
1913 Alien Land Laws
1939 Japanese Internment
1952 Possession of Philippines
1898 Foreign Miners Tax
1953 - 1952 Denial of Naturalization

Source: The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America’s Middle Class. Adapted with permission from “Government Boosts and Blocks to Building Wealth” timeline by United for a Fair Economy.
WHO BENEFITS FROM THE TAX CODE BY RACE PRIOR TO THE PASSAGE OF THE TAX CUTS AND JOBS ACT

SHARE OF TAX SUBSIDIES, BY INCOME QUINTILE (2015)

- Top: 86.6% Capital Gains, 3.6% Itemized Deductions, 4.6% Exclusions, 14.3% Non-Refundable Credits, 14.2% Refundable Credits
- Second: 80.3% Capital Gains, 14.3% Itemized Deductions, 19.9% Exclusions, 18.9% Non-Refundable Credits, 18.5% Refundable Credits
- Middle: 58.4% Capital Gains, 19.9% Itemized Deductions, 45.5% Exclusions, 14.0% Non-Refundable Credits, 14.2% Refundable Credits
- Fourth: 21.2% Capital Gains, 10.8% Itemized Deductions, 20.1% Exclusions, 0.8% Non-Refundable Credits, 0.8% Refundable Credits
- Bottom: 4.6% Capital Gains, 13.4% Itemized Deductions, 36.1% Exclusions, 3.1% Non-Refundable Credits, 1.2% Refundable Credits

DEMOGRAPHIC COMPOSITIONS OF INCOME QUINTILE, BY RACE AND ETHNICITY (2015)

- Q1:
  - White: 58%
  - Black: 15.3%
  - Latino: 64.3%
  - Asian: 69.1%
  - Native American: 73.2%
- Q2:
  - White: 15.9%
  - Black: 15.9%
  - Latino: 69.1%
  - Asian: 73.2%
  - Native American: 77.3%
- Q3:
  - White: 3.8%
  - Black: 11.2%
  - Latino: 17.2%
  - Asian: 8.8%
  - Native American: 5.8%
- Q4:
  - White: 1.6%
  - Black: 5%
  - Latino: 4%
  - Asian: 11%
  - Native American: 7.6%
- Q5:
  - White: 1.6%
  - Black: 1.7%
  - Latino: 0.5%
  - Asian: 0.3%
  - Native American: 1.5%


SOURCE | The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America’s Middle Class, Prosperity Now, Institute for Policy Studies
WHO BENEFITS FROM THE TAX CODE BY RACE DURING DEBATE OF THE TAX CUTS AND JOBS ACT

THE RICHEST 0.1%
- EARNING AT LEAST $3.4M
- $193,380 tax cut

THE RICHEST 1%
- EARNING AT LEAST $732,800
- $51,140 tax cut

MIDDLE CLASS
- EARNING $48,600 TO $86,100
- $840 tax cut

POOREST 1/5 OF AMERICANS
- EARNING $25,000 OR LESS
- $60 tax cut

Race, Wealth and Taxes:
How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide

MEG WIEHE, EMANUEL NIEVES, JEREMIE GREER and DAVID NEWVILLE

At its core, the U.S. tax code is more than a tool the government uses to collect revenue, distribute refunds and fund essential public operations and programs—it is a statement of our collective priorities as a society and a key means for encouraging the individual and collective behaviors that we value as a people. But because the tax code is designed by imperfect people, it encapsulates both the best and the worst aspects of our society.

At its best, our tax code is one of the most effective vehicles by which our government helps families build wealth and create financial security. It provides incentives for families to save for higher education, retirement or buy a home, and it helps parents meet the cost of raising children and supplements income for low-wage workers.

At its worst, our tax code is a tool that drives income and wealth inequality by targeting benefits to extremely wealthy taxpayers and multi-billion-dollar corporations, while simultaneously allowing these groups to engage in complicated schemes to avoid paying their fair share of taxes. Even more appalling, it is a powerful tool that purposefully or thoughtlessly continues to grow the economic gap between not only the rich and everyone else, but also between White households and households of color, thus further perpetuating a long history of systemic racism that undergirds government policies and American society at large. This unfortunate dynamic has served to boost the wealth and wealth-building potential of White households, while diminishing that of households of color.

Last year, in passing the $1.9 trillion Tax Cuts and Jobs Act, Congress chose to double down on the worst aspects of our tax code by turbocharging the benefits to the wealthy while leaving very little for families struggling the most in our economy, particularly households of color. While it is widely understood that the Tax Cuts and Jobs Act was constructed to make the richest even richer, the legislation’s effect on the ever-growing racial wealth divide has been largely underreported, if noticed at all.

Because America’s wealthiest families are overwhelmingly White, it is inevitable that a tax cut geared to the very top would shower outsized benefits on White households relative to the overall population and households of color. For instance, while 12.1% of White families earn enough to place them among the top 1% of earners, just 0.4% of Latino and Black families are members of this group. Put another way, White families are three times more likely than Latino and Black families to be among the nation’s top earners. As a result, households of color have been largely excluded from accessing the Tax Cuts and Jobs Act’s benefits, leaving them with little support from one of our nation’s largest systems for improving the economic outcomes of American households.

Over the course of this paper, we will show how the Tax Cuts and Jobs Act is not all about providing an economic boost to hardworking Americans, as so many in Congress positioned the law as, but rather about creating a tax system that rewards those at the top and that further widens the ever-growing racial wealth divide.

itep.org prosperitynow.org
Of the nearly $275 billion within the Tax Cuts and Jobs Act in 2018, 72%—or $200 billion—goes to the top 20% of households.
### Who Benefits from the Tax Code

**Under Current Law, the Tax Cuts and Jobs Act**

<table>
<thead>
<tr>
<th>Average Tax Benefit from the Tax Cuts and Jobs Act</th>
<th>Households, By Income Group</th>
<th>Daily Benefit from the Tax Cuts and Jobs Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>$90</td>
<td><strong>LOW-INCOME HOUSEHOLDS</strong></td>
<td>$0.25</td>
</tr>
<tr>
<td></td>
<td><em>Earning less than $23,000</em></td>
<td></td>
</tr>
<tr>
<td>$1,000</td>
<td><strong>MIDDLE-CLASS HOUSEHOLDS</strong></td>
<td>$2.75</td>
</tr>
<tr>
<td></td>
<td><em>Earnings between $40,000–$110,000</em></td>
<td></td>
</tr>
<tr>
<td>$47,650</td>
<td><strong>RICHEST 1% OF HOUSEHOLDS</strong></td>
<td>$130.55</td>
</tr>
<tr>
<td></td>
<td><em>Earning more than $590,000</em></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide, Prosperity Now, ITEP
Of the nearly $275 billion within the Tax Cuts and Jobs Act in 2018, $218 billion (79.5%) goes to White households. More than 40% of all tax cuts from the Tax Cuts and Jobs Act go to the White households in the top 5% of earners, despite only representing 3.9% of all tax returns.

Communities of color are overrepresented among the bottom 60% and 20% of families and underrepresented among our richest households.

**Source:** Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide, Prosperity Now, ITEP
## Who Benefits from the Tax Code

**Under Current Law, the Tax Cuts and Jobs Act**

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<th>Average Tax Benefit from the Tax Cuts and Jobs Act</th>
<th>Households, By Income Group, Race/Ethnicity</th>
<th>Daily Benefit from the Tax Cuts and Jobs Act</th>
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<tbody>
<tr>
<td>$1,710</td>
<td>ALL HOUSEHOLDS</td>
<td>$4.68</td>
</tr>
<tr>
<td>$2,560</td>
<td>Asian</td>
<td>$7.01</td>
</tr>
<tr>
<td>$840</td>
<td>Black</td>
<td>$2.30</td>
</tr>
<tr>
<td>$970</td>
<td>Latino</td>
<td>$2.66</td>
</tr>
<tr>
<td>$2,020</td>
<td>White</td>
<td>$5.53</td>
</tr>
</tbody>
</table>

**Source**: *Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide*, Prosperity Now, ITEP
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<td>$90</td>
<td><strong>LOW-INCOME HOUSEHOLDS</strong> Earning less than $23,000</td>
<td>$0.25</td>
</tr>
<tr>
<td>$70</td>
<td>Asian</td>
<td>$0.19</td>
</tr>
<tr>
<td>$90</td>
<td>Black</td>
<td>$0.25</td>
</tr>
<tr>
<td>$110</td>
<td>Latino</td>
<td>$0.30</td>
</tr>
<tr>
<td>$90</td>
<td>White</td>
<td>$0.25</td>
</tr>
<tr>
<td>$1,000</td>
<td><strong>MIDDLE-CLASS HOUSEHOLDS</strong> Earnings between $40,000–$110,000</td>
<td>$2.75</td>
</tr>
<tr>
<td>$1040</td>
<td>Asian</td>
<td>$2.85</td>
</tr>
<tr>
<td>$920</td>
<td>Black</td>
<td>$2.52</td>
</tr>
<tr>
<td>$960</td>
<td>Latino</td>
<td>$2.63</td>
</tr>
<tr>
<td>$1,020</td>
<td>White</td>
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<td>$47,650</td>
<td><strong>RICHEST 1% OF HOUSEHOLDS</strong> Earning more than $590,000</td>
<td>$130.55</td>
</tr>
<tr>
<td>$35,690</td>
<td>Asian</td>
<td>$97.78</td>
</tr>
<tr>
<td>$19,290</td>
<td>Black</td>
<td>$52.85</td>
</tr>
<tr>
<td>$19,850</td>
<td>Latino</td>
<td>$54.38</td>
</tr>
<tr>
<td>$52,400</td>
<td>White</td>
<td>$143.56</td>
</tr>
</tbody>
</table>

**SOURCE** | Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide, Prosperity Now, ITEP.
Even among the super wealthy, the disparity within last year’s tax law is alarming.

**Average Tax Cut from the Tax Cuts and Jobs Act**

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Asian</th>
<th>Black</th>
<th>Latino</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$47,650</td>
<td>$35,690</td>
<td>$19,920</td>
<td>$19,850</td>
<td>$52,400</td>
</tr>
</tbody>
</table>

**Source:** Institute on Taxation and Economic Policy’s microsimulation model
What questions do you have?

Share them in the Questions box!
NEXT STEPS

- Complete the follow-up **survey**
- Download and distribute our **reports**
- Help your **coalitions** and **communities** understand the **connection** between the tax code and the racial wealth divide
- Stay connected through our **Networks** and **Campaigns**
Expand Your Networks with the Prosperity Now Community

Sign up for listservs and working groups, volunteer to facilitate peer discussions, serve in a leadership role and more!

- Racial Wealth Equity Network
- Adult Matched Savings Network
- Affordable Homeownership Network
- Financial Coaching Network
- Taxpayer Opportunity Network (VITA/community tax prep)
- Campaign for Every Kids Future — Children’s Savings Accounts
- Medical Financial Partnerships Network (Health/Wealth)
- Innovations in Manufactured Housing (I’M HOME) Network

Visit any of the networks above at prosperitynow.org/getinvolved to get started.
Take action with Prosperity Now Campaigns!

Sign up to stay informed about the latest developments and opportunities to take action by joining one of our four federal policy campaigns.

**HOMEOWNERSHIP**

Homeownership is key to building wealth. Together, we will advocate for products and policies that provide more affordable homes to more people.

**CONSUMER PROTECTIONS**

Consumer protections create fairer, more transparent financial markets. Together, we will ensure consumers keep the safeguards they deserve.

**SAFETY NET**

Safety net programs help protect vulnerable individuals and families from falling deep into poverty. Together, we will protect programs like SNAP, IDAs and more to help those in need when they need it most.

**TURN IT RIGHT-SIDE UP**

The vast majority of tax incentives go to those at the top, not to those who need it most. Together, we will turn our upside-down tax code right-side up.

Visit any of the Campaigns above at [https://prosperitynow.org/take-action](https://prosperitynow.org/take-action) to learn more and join.
Prosperity Now Advocacy Center

Take action today at https://prosperitynow.org/take-action

Here you can:

▪ Email a MOC
▪ Call a MOC
▪ Tweet at a MOC
▪ Schedule a Meeting
▪ Sign a petition
Prosperity Now Advocacy Center—Sign Up Now!

Take these 4 simple steps to sign up today!

1. Visit https://prosperitynow.org/take-action
2. Scroll over “Take Action” and select “Advocacy Center”
3. Scroll down and enter your email address and click “Sign Up”
4. Enter the remaining contact information fields to make it easy to contact your legislator when you return!
Thank You!

Please complete our survey!