

Why Are Revenues Up? Is the Revenue Surge Real? What Can We Do?

There are several reasons why revenues have been up since 2005–06. But tax cuts are not one of them. Based on recent analyses by the Center on Budget and Policy Priorities, the Tax Policy Center, and the Office of Management and Budget, here are five reasons why revenues have been up since 2005–06.

1. The new tax law allows corporations to bring their overseas profits into the U.S. for just one time at a greatly reduced rate. Many corporations are taking advantage of this one-time provision.
2. A business tax provision that allowed corporations to take advantage of accelerated depreciation on new equipment has expired.
3. An increasing number of Americans are now subject to Alternative Minimum Tax, despite some temporary fixes. A permanent fix will increase long-term deficits by about \$1 trillion.
4. Composition of income has changed. The portion coming from wages has gone down and the portion coming from profits has gone up, resulting in increased income disparities and a massive income and wealth concentration at the top.
5. There have been higher gains in capital and dividends for the top income earners.

These same factors are responsible for increased revenues in state and local governments.

Is the revenue surge real?

No. States have seasonal surpluses. Just like the federal fiscal situation — a high level of cumulative debt for future generations — state and local governments have built in long-term structural deficits. According to the late Steve Gold, “structural deficit” refers to a situation where future revenues will not be sufficient to meet needs given the current system of taxation and the current level and quality of public services. These underlying structural problems and increased income disparities are harmful to our future prosperity and quality of life as Americans.

What can we do?

We must address issues related to long-term structural deficits at federal, state, and local levels. Instead of allowing corporations one-time tax holidays to bring their profits home, we should close loopholes that allow them to shelter profits overseas in the first place. In a free market economy, we can't put limits on how much money people can make. But to ensure that everyone pays their fair share, millionaires need to make additional investment in our collective future through a millionaire's tax. Currently, millionaires pay only about half as much in state and local taxes per \$100 of their income as do the poorest 20% of American (\$5 vs. \$11).

Millionaires are the guardians of America's future. They have an extra responsibility to ensure our nation's future prosperity. Taxes are not only our collective investment in our future, but also the dues we pay for membership in a civilized and prosperous society. If the guardians of our future are asleep at the wheel or too greedy to care about our future, everyone suffers, *including* the guardians. As income and wealth disparities grow, social disorganization increases. Who has most to lose by living in a socially disorganized society? People at the bottom of the income spectrum don't have much to begin with.

A fair taxation system that ensures equal educational and economic opportunities for all Americans is the best way to ensure our prosperous and civilized national future. Instead of focusing on seasonal revenue surges, fixing structural deficits, closing corporate tax loopholes, and instituting a millionaire tax would take us a long way toward this goal.

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