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Multi-Millionaire Tax Act

Abstract

(By: Shivam Raj & Prashant Shukla)

By compelling the richest 100,000 families in the United States, or the top 0.05 percent, to charge their fair share, the Ultra-Millionaire Tax Act would create a level playing field and minimize the racial wealth gap. This would generate at least $3 trillion in revenue over ten years despite raising taxes on the 99.95 percent of American households with a net worth less than $50 million. The tax system essentially ignores the vast amount of wealth amassed by this tiny sliver of ultra-wealthy families by concentrating on wages. In reality, when measured by income, our tax system requires the wealthy to pay much less than the rest of us. According to Saez and Zucman, the bottom 99 percent of families paid 7.2 percent of their income in federal, state, and local taxes in 2019, while the top 0.1 percent paid just 3.2 percent. Coronavirus and the ensuing economic downturn have only widened the wealth gap.

- The ‘Ultra-Millionaire Tax Act’ was initiated by Elizabeth Warren

The US president and other Democratic leaders are giving push for large-scale investment to stimulate the economy and reduce income inequality now that Democrats have assumed charge of both the White House and Congress. Senator Elizabeth Warren of Massachusetts, Washington Representative, including Pennsylvania Representative Brendan Boyle just want the Mega rich to foot the entire bill. Basically few Democrats introduced the Ultra-Millionaire Tax Act. It talks about that levy basically, 2% annual tax on household and trust net worth of $50 million to $1 billion it is eccentric, as well as a 1% annual surtax on assets above $1 billion, for a total of a 3% tax on billionaires.

The contentious initiative, which has Vermont Senator Bernie Sanders and others as co-sponsors, is identical to one Warren proposed as a Democratic primary candidate in 2019. As Warren and Sanders were running for the Democratic presidential nomination, taxing the affluent was a crucial way for them to fund their efforts to improve health coverage, child care, and other initiatives. In a statement, Warren said, "If Congress introduces additional plans to support our economy, the


2http://www.newson6.com/
wealth tax should be at the top of the list to help pay for these plans because of the large amounts of money it will raise." “This is money that can be spent on early childhood education, K-12 education, and infrastructure, all of which are priorities for President Biden and Democrats in Congress.”

According to a congressional analysis, The bill will impact around 100,000 American families and raise $3 trillion in revenue over ten years. Professors Emmanuel Saez and Gabriel Zucman of the University of California, Berkeley, conducted the study, which is well-known for its left-leaning work on income and wealth inequality. The revenue estimate is higher than the one they gave Warren during the campaign since wealth at the top, especially among billionaires, has increased in the last two years and is expected to continue to rise. Two years ago, they expected that it will raise $2.75 trillion over ten years and impact 75,000 households.\(^3\).

Despite the fact that the coronavirus caused a significant economic decline in the US, it had a different effect on American families. Telecommuting has helped higher-income families to maintain their jobs while also growing their net worth. People on the other end of the economic spectrum have been disproportionately impacted by layoffs and have had a harder time finding new jobs since the "K-shaped" recovery has progressed. On the other hand, wealth taxes are notoriously difficult to put in place. Legal experts on both sides of the debate disagree about whether it is legal under US law. Furthermore, since the wealthy also have properties that are difficult to value, wealth taxes can be difficult to enforce.\(^4\).

- **Overview of Multi-Millionaire Tax Act**

While millions of families struggle to make ends meet, billionaires have seen their fortunes soar. The ultra-rich, companies and their lobbyists have rigged the system in their favor for far too long, corroding our democracy and hollowing out the middle class. As a result, there is an extreme concentration of capital that has never been seen in any other major economy. According to economists Emmanuel Saez and Gabriel Zucman, the wealthiest 0.1 percent of Americans witnessed their share of national wealth nearly triple from 7% to 20%, while the bottom 90% saw their share of national wealth plummet from about 35% to 25%. As a consequence, the top 0.1 percent of Americans now own almost as much as the bottom 90% of families combined. In reality, the wealthiest 400 Americans own more than all Black households combined, as well as a quarter of Latino households.\(^5\).

\(^3\) [https://news.yahoo.com/](https://news.yahoo.com/)

\(^4\) [https://boston.cbslocal.com/2021/03/01/elizabeth-warren-ultra-millionaire-tax-act-jayapal/](https://boston.cbslocal.com/2021/03/01/elizabeth-warren-ultra-millionaire-tax-act-jayapal/)

\(^5\) [https://patrioticmillionaires.org/](https://patrioticmillionaires.org/)
The bill would establish a more equitable economy by imposing a 2% annual tax on net worth under $50 million and $1 billion on households and trusts, as well as a 1% annual surtax on net worth above $1 billion for households and trusts (for a total of 3 percent tax). Many anti-evasion and avoidance measures are included in the Ultra-Millionaire Tax (UMT), including a $100 billion commitment to restore and upgrade the IRS, ensuring that the agency has the resources it requires to recruit and train new employees, modernise IT processes, and incorporate the UMT's new asset assessment, monitoring, and compliance criteria. For taxpayers subject to the UMT, a minimum audit rate of 30% is required. Through imposing a 40% "exit tax" on any U.S. resident with a net worth of more than $50 million who renounces their citizenship, the IRS would be able to tighten and extend current valuation laws and underpayment by using new ways to calculate the value of hard-to-value properties.

- **What role will a wealth tax play?**

Senator Elizabeth Warren said her proposed wealth tax on households worth more than $50 million will help pay for housing, childcare, and health-care reforms as part of President Joe Biden's "Build Back Better" initiative following the coronavirus pandemic, which overwhelmingly affected low-income families. "Infrastructure, childcare, pre-K, and college are all things that need to be addressed. Infrastructure, healthcare, pre-kindergarten, and college are all areas that need to be addressed. We need to concentrate on items that will produce investment and opportunity in the future, and the best way to do that is through a wealth tax, according to Warren. The Ultra-Millionaire Tax Act, which Warren and Representatives Pramila Jayapal and Brendan Boyle released on Monday, will impose a 2% annual tax on households and trusts worth $50 million to $1 billion, creating a “fairer” economy, they said. All assets worth more than $1 billion will be subject to a 3% levy. The bill, like others Warren has introduced in the past, is unlikely to pass, particularly in the Senate, where Republicans and Democrats are evenly divided. It can, however, serve as a marker for progressives in Congress, as well as a reminder of the party's rebellious opposite wing.

According to a Feb. 24 report by economists Emmanuel Saez and Gabriel Zucman of the University of California-Berkeley, the plan will raise “at least $3 trillion in revenue over ten years.” “The ultra-rich and wealthy have rigged the rules so heavily in their favor that the top 0.1 percent pay a lower effective tax rate than the bottom 99 percent, and billionaire income is 40 percent higher than it was before the Covid crisis,” Warren said in a statement. “A wealth tax is popular

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7 [https://www.warren.senate.gov/](https://www.warren.senate.gov/)
with voters on both sides for good reason: they recognize that the system is skewed in favor of the rich and large corporations.\textsuperscript{8}

President Joe Biden has opposed a wealth tax, despite his emphasis on increasing the top tax rate for the richest Americans. According to White House press secretary Jen Psaki, Biden would demand that the affluent "pay their fair share" as part of the next legislative package. “He spoke about addressing the inequities in the tax code as part of the Build Back Better agenda, and he remains committed to it,” Psaki said Monday. “He holds Senator Warren in high regard and shares her goal of ensuring that the ultra-rich and large companies pay their fair share.”

A wealth tax will be especially difficult to enact in the current United States Senate, which is split 50-50 between Democrats and Republicans. Democrats have control of the agenda because Vice President Kamala Harris has the power to sever ties, but most bills require 60 senators to pass. Some administration initiatives, such as a $15 hourly minimum wage, have failed to attract even 50 votes from Democrats. A wealth tax will almost certainly be far more divisive. Democrats, on the other hand, intend to use special budget reconciliation measures later this year to pass a bill with a simple majority that includes sections of a large infrastructure program. Taxes to finance the building would be considered at that time. Furthermore, under Senate rules, tax increases are normally approved in budget bills. The bill's co-sponsors include Vermont's Bernie Sanders, Rhode Island's Sheldon Whitehouse, Oregon's Jeff Merkley, New York's Kirsten Gillibrand, Hawaii's Brian Schatz, Massachusetts' Ed Markey, and Hawaii's Mazie Hirono. Jayapal seems to be from Washington County, and Boyle is from Pennsylvania.\textsuperscript{9}

“This plan would help level the playing field, narrow the racial wealth gap, ensure the richest begin to pay their fair share, and invest trillions of dollars in our communities so we can make a real difference in the lives of people across America,” Jayapal said. Warren defended the plan's legality, citing estate taxes as a precedent for income taxation. Some scholars have believed that the Law requires “direct taxes” to be distributed amongst those states based on population, whereas others have argued that a wealth tax may be excluded from this requirement. Warren said, "I am sure that this is a legally responsible way to do this.\textsuperscript{10}”

- **Explanation:**

It is nothing but exact copy of Warren's proposed wealth tax during her presidential campaign in

\textsuperscript{8} https://www.aljazeera.com/economy/2021/3/1/warren-and-fellow-progressives-propose-ultra-millionaire-tax

\textsuperscript{9} https://www.bloombergquint.com/politics/warren-other-progressives-propose-ultra-millionaire-tax

\textsuperscript{10} https://boston.cbslocal.com/
2020. A wealth tax is an annual tax on incredibly rich people's net worth, which is characterized as their assets minus their debts. The individual with a net Income of $50 million to $1 billion would be subject to a 2% annual tax under the Ultra-Millionaire Tax Act. Everything worth more than $1 billion will be taxed at a rate of 3% per year for those worth more than $1 billion.

Politicians talk a lot about how to tax different types of income, but they're just skirting the fact that economic inequality is far more than just income inequality. Disparity in wealth is at an all-time high, and this bill addresses the root of the issue. The distinction between income and wealth is important. Working people earn wages, which means they are not paid if they do not work. Incredibly wealthy people, on the other hand, behave in a very different way. Generational wealth, or money passed down by family members, is a common source of wealth for the ultra-rich. The ultra-wealthy continue to amass wealth by living comfortably off the returns on their investments without having to work.11

Because of the way our economy is established, it's almost impossible for the ultra-wealthy to do anything but keep getting richer, resulting in rising inequality. A wealth tax would directly address this serious problem. Billionaires cannot be exempt from paying their fair share of taxes although nurses, bus drivers, childcare providers, service workers, is already doing. This is a deep-seated structural problem with far-reaching ramifications for our culture. The disproportionate wealth of a tiny, disproportionately white minority of millionaires and billionaires is the primary cause of racial wealth inequality. As a measure, the typical White family currently has a net worth of $171,000, which is ten times more than the average Black family's total wealth of $17,150 in the United States.

There has never been a better time to enact a wealth tax than now. Low-wage workers and working-class Americans have been hit hard by the global COVID-19 pandemic, which has resulted in layoffs, shortened hours, late rent payments, and other difficulties. While the rest of the world fought to maintain their heads above water, billionaires saw their fortunes soar, adding $1.3 trillion to their overall net worth. Senator Warren and Representatives Jayapal and Boyle have proposed a progressive income tax to help bridge the gap.

Enforcing a wealth tax will help close the wealth disparity of wealth, raise hundreds of billions of dollars to rebuild our cities by increasing funding for our education systems, and create jobs that pay living wages to their workers (though, as normal, the government can simply print money to pay for things). The reality of politics in which we reside, however, often necessitates that services be "paid for"). The wealth tax will minimize long-term economic inequality directly, making the Ultra-Millionaire Tax Act exactly what this country needs to get back on track.12

11 https://www.wanttoknow.info/
12 https://patrioticmillionaires.org/2021/03/02/explaining-the-ultra-millionaire-tax-act/
Is it right or wrong for the wealthiest Americans to profit from the pandemic?

The super-rich have seen their fortunes rise as the coronavirus pandemic wreaks havoc on the economy and overwhelmingly affects lower-income Americans. On Monday, Massachusetts Senator Elizabeth Warren proposed legislation that would tax the super-rich based on their overall income. Warren has advocated for a wealth tax for a long time. The Ultra-Millionaire Tax Act, co-sponsored by Congresswoman Pramila Jayapal of Washington and Congressman Brendan Boyle of Pennsylvania, imposes a 2% annual tax on households and businesses with assets between $50 million and $1 billion. It would also place a 1% annual surtax on households and trusts with annual assets above $1 billion.13

"This is a wealth tax that has long been required. We need it to generate more revenue and create more opportunities in the United States "Warren stated his opinion. "However, because of the changes in this country as a result of the pandemic, a wealth tax is especially necessary. Over the past year, we've seen the fortunes of America's billionaires rise by more than a trillion dollars." Warren has long called for a wealth tax, and it was one of her core party policies during her presidential campaign in 2020. "Two Cents" was emblazoned on her campaign merchandise and chanted at rallies, referring to the 2-cent tax on each dollar that an ultrawealthy taxpayer would owe. The bill is among her first votes as a new member of the Senate Finance Committee.

The ultra-millionaire Tax, as per economists at the University of California-Berkeley, would affect around 100,000 American families. They also estimated that over the next 10 years, it would generate $3 trillion through raising taxes on the 99.95 percent of American households with such a total wealth of only about $50 million. "Today, the wealthiest 1% own 75% of the nation's wealth, and the wealthiest 0.1 percent — that's zero-point-one percent — own over 18% of America's wealth," Jayapal said. "Compare that to the bottom half of Americans owning just 1.5 percent of the country's capital." As the US emerges from the economic recession triggered by the coronavirus disease outbreak, the policymakers argue that a wealth tax should be "at the top of the list" for financing plans, with money going to early childhood education and care, healthcare, and other objectives. " I recognise that at some stage, we will have to consider sales. So, here's a rational way to go about it: "Boyle mentioned the recent COVID relief spending. "This is a much better way to collect revenue than taxing the middle and lower classes in this country."

The $1.9 trillion American Recovery and Reinvestment Act passed the House early Saturday and is now headed to the Senate. As per the White House, it would be the first piece of legislation, accompanied by some other investment in long-term efforts such as infrastructure. President Joe Biden, but at the other hand, campaigned against a wealth tax and has already announced that his

13 https://in.yahoo.com/?p=us&guccounter=1
14 https://jayapal.house.gov/
administration is looking at other options for covering the costs of future investments. Last month, Treasury Secretary Janet Yellen reported that a wealth tax would have "highly difficult implementation problems." Instead, she and other Biden administration officials have suggested looking at the corporate tax rate and loopholes on many occasions.

Passing a wealth tax in the Senate, on the other hand, would be difficult. The Ultra-Millionaire Tax Act has Lawmakers Bernie Sanders, Sheldon Whitehouse, Jeff Merkley, Kirsten Gillibrand, Brian Schatz, Ed Markey, and Mazie Hirono as votes in favor. Obtaining a majority, let alone 60 seats, can be challenging with the chamber split 50-50 along party lines. Warren has called for the filibuster to be repealed, arguing that it gives Senate Minority Leader Mitch McConnell veto control over legislation. Over the last 30 years, the number of countries with income taxes has decreased. There were 12 European countries with wealth taxes in 1990, but just three in 2018.

Economists point out that calculating the revenue generated by a wealth tax presents several difficulties, partly due to the way assets are priced. "It can be appealing from the standpoint of equity and tax burden. "A large amount of money that makes up a small number of citizens who are all at the top of the economic scale," Janet Holtzblatt, a senior fellow at the Urban-Brookings Tax Policy Center, agreed. "However, it may have detrimental trickle-down consequences if it affects the economy if it hurts investment, and it might not have as big an impact as supporters like due to ways to stop and evade a levy."

The new Act includes a whole amount of $100 billion investment in Internal Revenue Service, a 30% audit threshold for taxpayers subject to the levy, and a 40% so-called "escape tax" on Americans with a cumulative income of more than $50 million who forfeit their citizenship rather than pay the tax. "You want every decent tax to be able to operate without these super strict steps to prevent avoidance," Tax Foundation economist Daniel Bunn said. "I'd say you're possibly constructing the tax inappropriately in the first place if you need that penalty rate to deter evasion."

A wealth tax, according to Bunn, may trigger foreign investors to take the position of domestic giants as capital owners. "You end up changing the ownership structure of Overseas investments if you diminish the return on income for U.S. citizens while providing nothing comparable for high-net-worth individuals who are invested in the United States," Bunn said. As a result, rather than U.S. people owning a significant portion of assets in the United States - whether housing, stocks, or other assets - the tax code essentially favors foreign ownership.\footnote{\url{https://www.cbsnews.com/news/sen-elizabeth-warren-introduces-ultra-millionaire-tax-act/}}
• **End:** The idea of a wealth tax, on the other hand, has widespread support in the United States. As per an Associated press poll conducted last year, nearly two-thirds of Americans accepted that perhaps the wealthy should spend significantly.