

## Wealth Tax: A noble idea fraught with practical difficulties

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As part of their election campaign, Democratic presidential candidates, Elizabeth Warren and Bernie Sanders, have [proposed the introduction of wealth taxes](#) that threaten the economic stronghold of the richest Americans. The proposal attempts to address the alarming concentration of wealth among rich Americans along with the threat it has posed to the nation's democracy.

Warren's tax is aimed at households worth above \$50 million. In contrast, Sanders has suggested a lower threshold covering households with a net worth of over \$32 million. Professors Emmanuel Saez and Gabriel Zucman from University of California, Berkeley, whom the candidates consulted in shaping their proposals, estimate that this tax would hit at least [75,000 families and raise over \\$2.75 trillion over a 10-year period](#). Warren and Sanders both aim to use these proceeds to [fund social programs](#) such as tuition free college, universal child care and "Medicare for all." Although the idea of wealth taxation has [generated popular support](#) from across the political spectrum, many academics and politicians have expressed concerns over its implementation and doubt whether this will ever see the light of day.

For starters, skeptics believe that taxing individuals on the basis of wealth appears punitive and is likely to undermine business confidence which would undoubtedly stunt economic growth. The proposal also ignores "trickle down" benefits of having a wealthy class in that it disregards the positive effects of having a [high number of job-creating businesses](#).

Experts have also highlighted practical challenges associated with administering wealth tax. Given that wealth taxes would apply to accumulated assets of individuals, there are



questions as to how illiquid assets such as vacation homes, art collections, and jewelry would be identified. Valuating these assets could increase administrative costs making the [plan difficult to execute](#). Individuals who are yet to realize gains from their assets could be forced to liquidate their belongings solely for the purpose of meeting tax obligations.

It is equally optimistic to hope that this proposal will garner considerable support in Congress and fructify into law. It also remains to be seen whether imposing direct wealth taxes, that aren't equally distributed by state population, would [pass constitutional muster](#). In the event it does, the wealth tax would need to be vigorously enforced to prevent the super-rich, with their armies of lawyers and accountants, from gaming the system [\(as they have with estate tax\)](#).

All complications aside, the arguments in favor of taxing the rich are definitely compelling. Warren and Sanders, however, have one too many hurdles to overcome in order to resolve wealth inequality and change the economic landscape of the country.