



# Fair Economy Action Tool

United for a Fair Economy is a national, independent, nonpartisan, nonprofit organization.

UFE raises awareness that concentrated wealth and power undermine the economy, corrupt democracy, deepen the racial divide, and tear communities apart. We support and help build social movements for greater equality.

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## Evaluating Federal Elected Officials' Tax Proposals

Citizens who want to evaluate the impact elected officials' positions have on economic justice must consider tax policy. This is because fair tax policies can increase economic justice and unfair tax policies can worsen injustice. Some elected officials, but not all, share the value of fairness. But often it's difficult to see through the rhetoric and evaluate an elected official's position, especially on a topic as complex as taxes.

Below are four aspects of fair tax policies that citizens can consider when evaluating the tax proposals made by the President or Members of Congress. On the back page are questions you can ask elected officials to help you determine how fair their proposals are.

### Fair Tax Policies

1. The elected official's proposal *increases the progressiveness of the tax system*, meaning that the proposal decreases the taxes paid by low-income people and/or increases the taxes paid by high-income people. Examples of ways to accomplish this are:
  - Increasing the income tax rate on high-income people.
  - Preserving the estate tax on millionaires.
  - Taxing unearned income (for example, capital gains, dividends) equal to or higher than earned income (wages).
  - Closing tax loopholes and other tax preferences that benefit high-income people and/or corporations (for example, closing the private equity or "carried interest" loophole); raising the ceiling on the Social Security tax; lowering the ceiling on deductibility of home mortgage interest; eliminating the corporate tax exemption for business meals).
  - Providing targeted tax breaks to low-income people (for example, increasing the Earned Income Tax Credit, also known as the EITC).
2. The proposal *raises enough funds to sustain a level of public services needed* and demanded by the public (for example, education, transportation, security).
3. The proposal *works to ensure that economic opportunity is as widely distributed and equal as possible*.

This can be promoted by extending asset-building tax policies to low- and middle-income people. Examples of assets are financial savings, home ownership, retirement funds, education (human capital), and business capital. So, for example, a fair tax policy might create a tax credit for college tuition for low- and middle-income people.
4. The proposal *increases the tax system's accountability to taxpayers*, meaning that tax laws are not hidden, but plain to see and be evaluated by the public. This can be accomplished by:
  - Requiring company-specific disclosure of corporate profits and federal corporate income tax.
  - Requiring disclosure of the beneficiaries of federal tax breaks.
  - Creating a mechanism (such as a legislative or executive branch committee) to regularly review and assess the effectiveness and efficiency of tax preferences (and earmarked funds) to see if they are achieving their intended effect at a reasonable cost.

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## Questions to ask elected officials

Below are two sets of questions about fair tax policy that you can ask elected officials at public meetings, in writing, or in letters to the editor. (for more ideas of ways to use this Action Tool visit [http://faireconomy.org/action\\_tools\\_for\\_evaluating\\_electedofficials](http://faireconomy.org/action_tools_for_evaluating_electedofficials)). *The first set of questions is neutral in tone; the second set incorporates a point of view* into the question. When asking questions, it's best to quote an elected official's own words if possible.

1. Who benefits and who loses under your tax proposal?
  - Do low-income people's taxes go up or down?
  - Do middle-income people's taxes go up or down?
  - Do wealthy people's taxes go up or down?
  - If your proposal gives everybody a tax break, is the percent reduction for wealthy people more or less than that for low and middle income people?
  - Do corporate taxes go up or down?
2. Does your proposal create or eliminate special tax preferences? If it creates them, for whom? If it eliminates them, for whom?
3. Does your tax proposal increase the amount of funds available to sustain the public services needed & desired by the public (for example, education, transportation, security)?
4. Does your tax proposal increase accountability to taxpayers?
  - Does it create accountability mechanisms for regularly reviewing and assessing special tax preferences?
  - Does it require disclosure of the beneficiaries of federal tax breaks?
  - Does it require company-specific disclosure of corporate profits and federal corporate income taxes paid?

You can find out an elected official's position on various federal taxes by looking on their website, or by searching news articles on the internet. Other sources of information about tax proposals and past votes can be found at:

- *Citizens for Tax Justice*, "A Congressional Tax Report Card," <http://www.ctj.org/pdf/reportcard2006.pdf>
- *Tax Policy Center*, "2008 Presidential Candidates Tax Proposals," [http://www.taxpolicycenter.org/taxtopics/election\\_issues\\_matrix.cfm](http://www.taxpolicycenter.org/taxtopics/election_issues_matrix.cfm)

*The following questions incorporate a point of view so that the audience learns from your questions, not just from the elected official's answer.* The questions are aimed at elected officials who propose to cut federal taxes for the wealthy or corporations. You can modify these questions if you know the elected official does *not* want to cut federal taxes for the wealthy.

1. Why does Elected Official X support giving millionaires like Paris Hilton more tax breaks – such as ending the estate tax or cutting the capital gains tax - when our local school/other federal service is getting cut because there's not enough funding?
2. If Elected Official X wants to cut or end [xyz] tax, which is paid by wealthy people, how does Elected Official X propose to make up the lost revenue? By increasing the national debt? By raising taxes on the middle class? Spending cuts? If spending cuts, what public services will Elected Official X cut?
3. The disparity of wealth between the rich and everybody else is at its highest level since the Gilded Age a century ago. Won't reducing/ending a federal tax paid by wealthy people lead to even greater inequality of wealth and power?
4. With national polls showing strong public support for making sure that we put the real needs of working families ahead of tax breaks for the wealthy which simply make the rich richer, why does Elected Official X want to reduce/end a federal tax paid by wealthy people?

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