

Testimony before the Committee on Finance,  
United States Senate  
Washington, DC  
April 20, 2021

### **Statement of Mihir A. Desai**

Chairman Wyden, Ranking Member Crapo, and Members of this distinguished committee, it is an honor to participate in these hearings on “Combating Inequality: The Tax Code and Racial, Ethnic and Gender Disparities.” I am the Mizuho Financial Group Professor of Business at Harvard Business School, a Professor of Law at Harvard Law School and a Research Associate at the National Bureau of Economic Research. I have also taught at the Columbia and NYU Law Schools.

While equity is commonly understood as a guiding principle of tax policy (along with efficiency and administrability), the specific issues raised in this hearing – the role of race, ethnicity, and gender – are important considerations that have not received the attention that they deserve. I applaud your willingness to engage these questions and, in particular, I’m delighted to share this opportunity with Professor Dorothy A. Brown, who has done so much to advance the agenda around race, in particular.

My comments will emphasize race – rather than ethnicity and gender – but this emphasis merely reflects my limited ability in this constrained time frame. Race occupies a particular importance in our history and in this moment so I hope that my emphasis will not be misunderstood as reflecting the unimportance of ethnicity and gender or the racial subgroups that I neglect below. Some of my comments will generalize to ethnicity and gender and others won’t. I look forward to other hearings and other efforts to fully explore these issues.

My remarks are divided into four parts.

First, I want to establish some facts around the correlation between race and income, savings, wealth and mobility. Given that the tax system uses income and the returns to wealth as important inputs to taxing decisions, it is useful to consider the degree to which the tax system is “racist.” In this first section, I also hope to establish the degree to which the views that are sometimes loosely grouped together as “critical tax theory” are well-founded and extremely valuable.

Second, I want to explore the degree to which ideas around taxation and racial justice can easily be elaborated incompletely. Specifically, this second section considers how analyses that outline the racial implications of tax laws should fully incorporate considerations that are typically ignored.

Third, I want to explore the degree to which analyses of race and tax policy – and of redistribution and progressivity more generally – may not just be incomplete but also self-defeating for the causes that many of us would like to advance – the situation of the least well-off and the cause of racial justice.

Finally, and more constructively, I want to explore the most meaningful ways to advance the goals of racial justice through the tax code. Racial justice is an important goal for many Americans today and pursuing this goal effectively through the tax code has several implications, some of which I will outline in this section.

### ***I. Race and Income, Savings, Wealth and Mobility – Implications for Tax Policy***

Appendix A provides my understanding of the current data on the relationship between race and income, savings, wealth and mobility with a particular emphasis on housing and the Global Financial Crisis (GFC). It is far from complete or definitive but it provides a useful foundation for subsequent questions.

While I encourage the reader to examine Appendix A in detail, the headline is straightforward and unavoidable: there is a staggeringly persistent and large correlation between race and income, saving and wealth. For wealth, this correlation shows up in median and mean wealth levels, persists across age levels, has persisted over time, and shows up in the propensity and the magnitude of holdings of almost all asset types – with particularly important assets such as retirement assets and housing showing large differences.<sup>1</sup> For income, this correlation shows up in median and mean income levels and the composition of quintiles of the income distribution and has persisted over time.<sup>2</sup> Savings rates – an important link between income and wealth – are also distinctive across races and these differences too have persisted over time.<sup>3</sup> Intergenerational dynamics compound these issues as transfers of wealth across generations are more likely and are larger for whites relatives to Blacks.<sup>4</sup> Similarly, Blacks experience less upward

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<sup>1</sup> See “Survey of Consumer Finances, 1989-2019,” Board of Governors of the Federal Reserve System; Bhutta, Chang, Dettling and Hsu (2020); Choi, McCargo, Neal, Goodman and Young (2019).

<sup>2</sup> See “Survey of Consumer Finances, 1989-2019,” Board of Governors of the Federal Reserve System; Current Population Survey Annual Social and Economic Supplement data available at “HINC-05. Percent Distribution of Households, by Selected Characteristics Within Income Quintile and Top 5 Percent,” United States Census Bureau.

<sup>3</sup> See 2019 Survey of Consumer Finances public data with estimates inflation-adjusted to 2019 dollars available at “Survey of Consumer Finances,” Board of Governors of the Federal Reserve System.

<sup>4</sup> See Bhutta, Chang, Dettling and Hsu (2020).

mobility and more downward mobility in income class relative to whites.<sup>5</sup> Finally, the impact of the GFC was distinctive across races, with declining wealth levels and homeownership rates for Blacks relative to whites.<sup>6</sup>

In an effort to isolate the ability to pay, the tax system employs income and the returns to wealth to raise revenue in an efficient manner. The returns to wealth are often granted preferential treatment, relative to labor income, in order to encourage certain behaviors, to offset the lock-in effect associated with a realization-based system, and to promote savings. The wisdom of these preferences is long-debated and I won't opine on their suitability here.<sup>7</sup> For our purposes, it is clear that these preferences intersect with the correlations discussed above.

Specifically, looking at certain preferences – such as the partial exclusion of capital gains on primary residences, the deferral advantage conferred on retirement savings, and step-up basis at death – in isolation will yield the following result: these preferences on returns to savings have a disparate impact on racial subgroups. I think this statement, as far as it goes, is incontrovertible. Indeed, it is unsurprising when one considers the correlations discussed above.

The remaining issues raised by this result are far less straightforward. Does this result constitute racism in the tax code? Is this analysis complete? And, what should we take away from this analysis?<sup>8</sup>

The first question is linked to deep questions in law, philosophy and sociology that are unsettled and highly contested. The question can be distilled crudely to be one of disparate treatment vs. disparate impact, overt intent vs. actual effect, and the underlying meaning of neutrality. I think it is both true that a) there is no overt effort to treat racial subgroups disparately and, as such, it is racially neutral in its application, and b) there is an actual effect of specific provisions when examined in isolation that leads to a disparate impact on racial subgroups. How one characterizes that duality in its full complexity is difficult, particularly given the omissions in such an analysis that I describe below. I would just offer that, in this setting, I think broad and pithy labels are unhelpful.

Before turning to the limitations of this analysis (including how it can be self-defeating), it is worth acknowledging the significant, overall value of this line of inquiry. If nothing else, reasserting the

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<sup>5</sup> See Chetty, Hendren, Jones and Porter (2020).

<sup>6</sup> See Choi, McCargo, Neal, Goodman and Young (2019); Burd-Sharps and Rasch (2015).

<sup>7</sup> See Graetz, Schenk, and Alstott (2018), pp. 566-575.

<sup>8</sup> These questions are tackled within the literature sometimes labelled “critical tax theory” and includes, but is not limited to, Brown (1997, 2009a, 2009b, 2010, 2012 and 2020), Knauer (2014), Martinez (2018) and Wallace (2020). Zelenak (1998, 2020) offers thoughtful commentary on this line of inquiry. These questions relate critically to broader debates regarding the meaning and role of structural racism in today's society.

importance of addressing these underlying correlations as a policy agenda is incredibly useful and should be applauded. Addressing these persistent and large correlations between race and income, wealth, savings and mobility should constitute a central ambition for all policy-makers. That, however, does not mean that the analysis is fully correct nor does it mean that the tax system is a mechanism that has caused these correlations, that exacerbates these correlations nor that it should be the domain for remedying them.

## ***II. Analyzing Race in the Tax Code***

Analysis of the type alluded to above – of a preference for certain returns to wealth relative to labor income – can yield the implication that these preferences have a disparate impact on racial subgroups. As with many such assertions in tax policy, this conclusion is a qualified one and can be highly incomplete when handled loosely. In particular, if analyzing the role of tax policy in impacting racial justice is a primary goal, then one would want to avoid three critical errors that can occur in this space. These three cautionary notes are not particular to the analysis of race but rather they are part and parcel of analyzing tax policy generally.

First, any analysis of tax policy needs to trace through the incidence of benefits or taxes beyond the claimants of any particular benefit. For example, tracing through the consequence of the low-income housing tax credit on racial subgroups is not straightforward. The actual claimants are largely financial institutions. Analyzing the impact of that benefit on racial subgroups would require one to make assertions about the division of that benefit on the side of the claimants (between capital, labor and customers of these banks as claimants) and on the side of the residents of low-income housing.<sup>9</sup> This is a very difficult exercise but required for understanding the racial impact of LIHTC. If one were to pursue a broader racial analysis of the tax code, these efforts could yield interesting additional insights but the direction and magnitude of all of these effects will require heroic assumptions that will not be remedied by collecting data on race on tax forms. Indeed, data about race on tax forms would not illuminate this question at all. The point is broad and applies equally to preferences on the returns to wealth, including on owner-occupied housing – these preferences will be capitalized into house prices, attenuating their effects, and may also be manifest in rental yield ratios and that impact will differ by race given lower home ownership amongst Blacks. In the case of housing preferences, these effects may not overturn what an analysis of claimants

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<sup>9</sup> See Scally, Gold and DuBois (2018); Freeman (2004); U.S. Department of Housing and Urban Development: Office of Policy Development and Research (2018).

would suggest but in the case of LIHTC claimants, it most likely would. The ultimate beneficiaries of tax policies are rarely only nominal claimants.

Second, revenue-neutrality is an important discipline on tax analysis as it insists on considering how any policy change will be financed, including through borrowing, or spent. This discipline can yield surprising and counterintuitive results.<sup>10</sup> One such example pertains to repealing preferences for owner-occupied housing via the mortgage interest deduction. While the beneficiaries of the mortgage interest deduction are concentrated in higher income brackets, if these policy changes use the revenue from the repeal to reduce taxation in proportion to overall tax liabilities, then a repeal of the mortgage interest deduction can be a net benefit to higher income tax payers.<sup>11</sup> In short, isolating a preference that benefits a subgroup is not enough to assert that it should be repealed because that preference exists in a larger system that requires financing – the discipline of revenue neutrality ensures that we think through its effects more broadly in a standardized way. It also prevents an analyst from making claims about particular provisions without considering the context of the broader tax system.

Third, the broader tax system is critical to consider in examining the overall impact on racial subgroups. Given the correlations of wealth and race identified above, it is not surprising that preferences for the returns to wealth may have a disparate impact on racial subgroups. By that exact logic, given the correlations of income and race identified above, it would not be surprising if progressive rates and refundable tax credits would have a disparate impact on racial subgroups as well. How all of these provisions interact is complex but it would seem to be clear that a full accounting of the impact of the tax system – as in the recent JCT document entitled “Overview of the Federal Tax System as in Effect for 2021” – would reveal the degree to which the current tax system is redistributive in a progressive manner.

Table A-6.—Distribution of Income and Taxes, and Average Tax Rates in 2021 (Projected)

Income Category [1]	Number of Returns [2] (Thousands)	Share of Returns	Income (\$ Millions)	Share of Income	Combined Income, Employment, and Excise Taxes Under Present Law [3]			Individual Income Taxes			Employment Taxes		
					\$ Billions	Percent share	Average Tax Rate	\$ Billions	Percent share	Average Tax Rate	\$ Billions	Percent share	Average Tax Rate
Less than \$10,000.....	16,957	9.6%	55,754	0.3%	-35.1	-1.3%	-62.9%	-45.3	-3.7%	-81.2%	7.2	0.6%	13.0%
\$10,000 to \$20,000.....	16,993	9.6%	258,775	1.6%	-57.6	-2.1%	-22.3%	-90.4	-7.4%	-34.9%	27.9	2.2%	10.8%
\$20,000 to \$30,000.....	20,183	11.4%	502,938	3.0%	-34.6	-1.3%	-6.9%	-86.5	-7.1%	-17.2%	45.1	3.6%	9.0%
\$30,000 to \$40,000.....	16,715	9.4%	581,990	3.5%	0.1	0.0%	0.0%	-58.3	-4.8%	-10.0%	51.0	4.0%	8.8%
\$40,000 to \$50,000.....	14,568	8.2%	654,914	3.9%	26.5	1.0%	4.0%	-40.3	-3.3%	-6.1%	58.6	4.6%	8.9%
\$50,000 to \$75,000.....	28,100	15.8%	1,727,270	10.4%	138.4	5.1%	8.0%	-33.4	-2.7%	-1.9%	149.8	11.8%	8.7%
\$75,000 to \$100,000.....	17,767	10.0%	1,539,767	9.2%	183.8	6.8%	11.9%	27.6	2.3%	1.8%	136.0	10.7%	8.8%
\$100,000 to \$200,000.....	31,959	18.0%	4,455,175	26.7%	726.1	26.7%	16.3%	252.4	20.6%	5.7%	412.4	32.5%	9.3%
\$200,000 to \$500,000.....	11,913	6.7%	3,349,967	20.1%	764.4	28.1%	22.8%	435.9	35.5%	13.0%	280.2	22.1%	8.4%
\$500,000 to \$1,000,000.....	1,543	0.9%	1,033,743	6.2%	282.8	10.4%	27.4%	215.2	17.5%	20.8%	53.7	4.2%	5.2%
\$1,000,000 and over.....	715	0.4%	2,519,266	15.1%	722.2	26.6%	28.7%	649.5	53.0%	25.8%	45.4	3.6%	1.8%
<b>Total, All Taxpayers.....</b>	<b>177,415</b>	<b>100.0%</b>	<b>16,679,558</b>	<b>100.0%</b>	<b>2,716.9</b>	<b>100.0%</b>	<b>16.3%</b>	<b>1,226.5</b>	<b>100.0%</b>	<b>7.4%</b>	<b>1,267.4</b>	<b>100.0%</b>	<b>7.6%</b>

<sup>10</sup> See Griffith (1989).

<sup>11</sup> See Hemel and Rozema (2017). See the table below from JCT (2021) for the degree to which the tax system relies on the top 1.3% of returns with 21.3% of income to provide 70.5% of individual income taxes.

The degree to which this level of redistribution is appropriate is not our topic today. But, any analysis of the impact of the tax system on racial subgroups should include some overall assessment of the effect of the tax system *in toto* on racial subgroups.

These cautionary notes on studying tax policy and race do not suggest that efforts to think about race and tax policy are not worthwhile. To the contrary, these notes simply make clear that observations about claimants of certain preferences are not a sufficient method to think through the racial impact of tax policy. And, tracing through and incorporating the effect on ultimate beneficiaries, incorporating financing considerations, and framing these within the overall tax system will be a critical step in any such analysis.

Finally, some analysts consider collecting data about race on tax forms a critical next step in furthering this analysis.<sup>12</sup> Putting aside the sizable practical considerations that such an effort would face, there are two additional considerations that apply in this debate. First, analysis that incorporates existing information about the distribution of income and wealth could be integrated into analysis of tax policy without additional collection of information. Such an effort would be incomplete but given the practical considerations associated with putting race on tax forms it would seem to be useful to focus attention where it will likely be most effective. Second, and as indicated above, collection of data at the taxpayer level won't assist in the harder questions required to think through racial justice in the tax code.

### ***III. The Self-Defeating Potential of Analyses of Race in the Tax Code***

Tax analyses that consider race can also go astray. For example, analysts that note the differential impact on racial subgroups of the tax treatment of marriage have suggested flat rates be employed to resolve the well-understood “trilemma” of progressivity, marriage neutrality and couple equality.<sup>13</sup> Analysts in this literature have also dismissed the role of the earned income tax credit in the debate on racial justice by claiming that “whites disproportionately benefit from the EITC” and that “the greatest beneficiaries of the earned income tax credit were white.”<sup>14</sup> Finally, when seeking solutions to these problems, analysts suggest radical solutions that amount to effectively blowing up the tax code and starting from scratch.<sup>15</sup>

These claims can be self-defeating for the cause of racial justice because they underemphasize the role of current provisions in advancing the agenda of racial justice. Specifically, undercutting the

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<sup>12</sup> See Bearer-Friend (Fall 2019); Brown (2021); Knauer (2014).

<sup>13</sup> See Brown p. 129 in Infanti and Crawford (2009).

<sup>14</sup> See Brown (2009a), p. 580; Brown (Fall 2012), p. 54.

<sup>15</sup> See Brown (2021), pp. 200-225.

progressivity of rates and tax credits that disproportionately benefit lower income individuals derails the consensus that should be building around their expansion. And, suggesting a clean slate for the tax system naively assumes that the hard-won victories that are embedded in the tax code that redistribute income and that serve disadvantaged communities will be somehow mirrored in this idealized future. Radical reform efforts could just as easily be captured by forces that would reduce the racial justice of the tax code. More narrowly, as one example, rather than abandoning all savings incentives, we should consider narrowing some and expanding others. Idealized and radical reforms can be enjoyable intellectual exercises but they can also be distracting diversions from the hard work of revising the tax code in the real world.

In a related vein, a singular focus on racial justice can also lead us astray. Perry and Romer (2021) advocate for the cancellation of student debt without means-testing specifically because it would address the racial wealth gap.<sup>16</sup> First, their contemplated reform does not impose revenue-neutrality raising the questions above on what taxes would be raised to finance this reform. More importantly, such a reform would be remarkably regressive, as demonstrated by the work of Catherine and Yannelis (2021).<sup>17</sup> I don't mean to judge that particular reform but it is worth noting how any tunnel vision about a particular issue obscures important collateral consequences that must be considered in any serious policy analysis.

This potential to be led astray is manifest more broadly in tax policy discussions today. The real promise of this hearing and of an increased emphasis on race, ethnicity and gender is to reorient our policy debate away from its current obsession with inequality broadly and toward a sharper focus on those in our country in deep need. Over the last twenty years, academic studies that claim sharply rising levels of income and wealth inequality have become accepted as fact and undergird much policy discussion today. Related studies claim that the tax system does little to address inequality and that novel instruments are required to address these issues.

First, it is little acknowledged how contested and controversial these underlying studies are. Various new studies have called into question the magnitude of these changes using the same data and using alternative data.<sup>18</sup> Specifically, these inequality studies contain important assumptions about the distribution of tax avoidance, the changing role of pass-throughs and business income in measured

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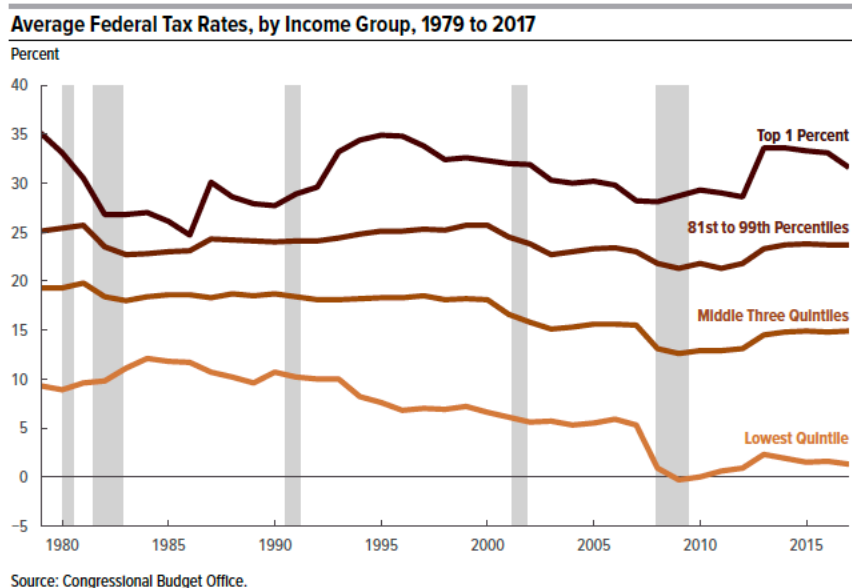
<sup>16</sup> See Perry and Romer (2021).

<sup>17</sup> See Catherine and Yannelis (2021).

<sup>18</sup> See Auten and Splinter (December 2019); Auten and Splinter in Furchtgott-Roth (2021); Auten and Splinter (May 2019); Smith, Yagan, Zidar and Zwick (2019); Smith, Yagan, Zidar and Zwick (December 22, 2019); Smith, Zidar and Zwick (April 2020); Bricker, Krimmel, Henriques and Sabelhaus (Spring 2016).

changes in inequality, and are interpreted as factual when, in fact, they feature many contested imputations and assumptions. My reading of this literature suggests that while inequality has increased modestly over the last several decades, it is far exaggerated in the popular imagination because of inattention to these considerable questions. These studies, and the obsession with rising inequality, are problematic for several reasons. They orient attention to the very rich (the top 0.1% or the top 400) and away from other parts of the income distribution. As one example, they distract attention from the fundamental role of pass-throughs in altering measured income distribution and the taxation of capital and labor income. More perniciously, they distract attention from the important questions of what we can and should do for the bottom quintiles of the income distributions by emphasizing what is happening to the top 400 taxpayers.

More dangerously, these studies pretend that the tax system that we have does little to no redistribution and that levels of redistribution have been declining.<sup>19</sup> The Congressional Budget Office makes clear that average tax rates have been evolving over the relevant period and that the tax system is doing more redistribution than in the past.<sup>20</sup> Advocates for more redistribution who deny this reality don't serve their cause via their obfuscation.



Rather than consider the success in reducing average tax rates for the bottom quintile and raising the average tax rate for the top quintile, this literature encourages us to refocus our attention on the purported hidden hundreds of billions in offshore tax havens. Those estimates of hidden billions are vastly exaggerated. Most broadly, they feed a common and mistaken narrative today – that somehow

<sup>19</sup> See Saez and Zucman (2019).

<sup>20</sup> See Gale (2019) and Splinter (December 2020).



responsible fiscal policy is just about getting the rich and corporations to pay their fair share via novel instruments including a wealth tax and multilateral cooperation on corporate tax policy.<sup>21</sup> And, they allow the middle of the income distribution to feel that they are getting cheated by the tax system and they too deserve more relief.

In the process, these efforts obscure what the real agenda should be – how should we get more resources to the bottom two quintiles, which should be the goal of those seeking greater economic justice. It is curious that many of these efforts don't mention (or measure) the earned income tax credit in their discussions of economic justice despite its role as a critical anti-poverty program. Similarly, it has become fashionable to discuss a universal basic income or to generously extend the child tax credit well beyond the bottom two quintiles rather than expand the earned income tax credit in a significant way. The scholarship on low-income families is clear – expanding child tax credits is far less beneficial than expanding the EITC, expanding the EITC dominates any idea of UBI, and the EITC is a powerful tool in promoting all kinds of good outcomes.<sup>22</sup> In this sense, the broader inequality debate obscures the readily available solutions to issues of racial and economic justice – the EITC and more progressive rate structures - and focuses our attention incorrectly on issues of corporate taxation, the possibility of wealth taxation, greater middle class tax relief and broad-based entitlements. To be clear, ensuring that the very wealthy and corporations comply with tax laws and that they pay their appropriate share is critical and could provide some incremental revenue but these obsessions have come to eclipse many more important issues.

#### **IV. *Moving Forward***

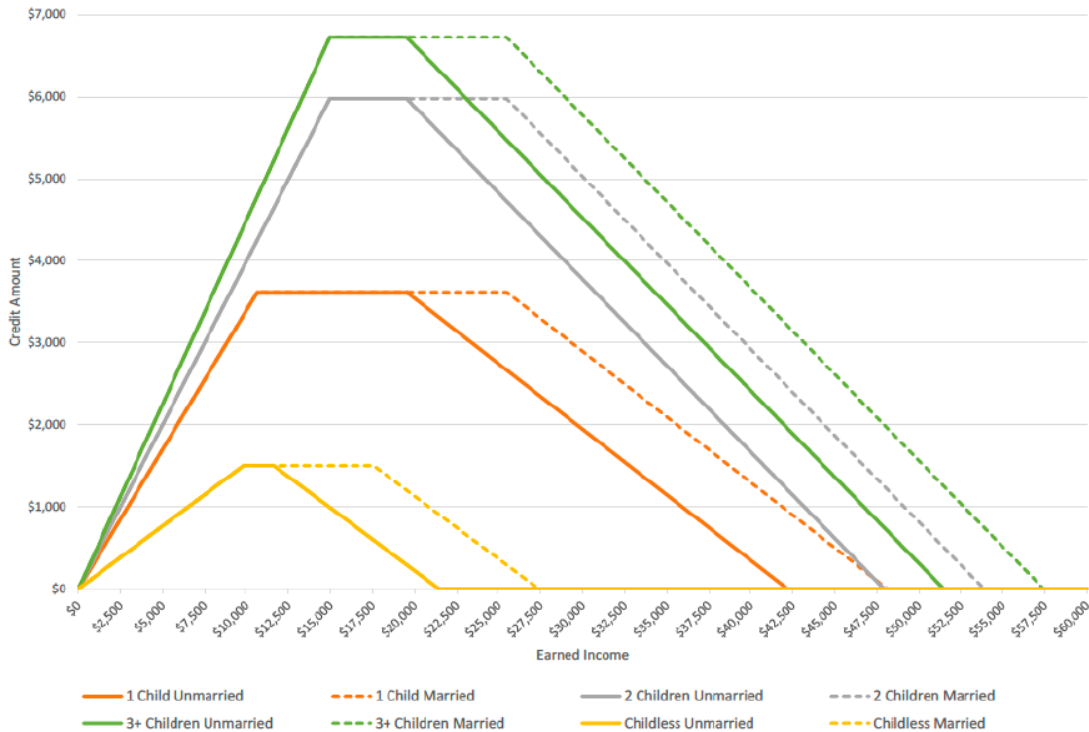
As I stated previously, the real promise of this hearing and of an increased emphasis on race, ethnicity and gender is to reorient our policy debate away from its current obsession with inequality broadly and toward a sharper focus on how the tax system can serve those who need the most help. This requires pragmatic thinking, adherence to tested policy tools and data-driven analyses that consider what will impact the welfare of the populations that we most need to focus on.

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<sup>21</sup> See Desai, Mihir A. (March 2021); ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München e.V. (March 2021).

<sup>22</sup> See Hoynes (2019); Hoynes and Rothstein (March 2016); Hoynes and Rothstein (2019); Bastian (2020); Bastian and Michelsmore (2018); Bastian and Lochner (January 2021); Bastian, and Jones (April 2021).

With that frame, it seems clear that expanding the EITC in two directions would be enormously beneficial to the causes of economic, racial and gender justice.<sup>23</sup> The EITC for 2021 by earned income, drawn from JCT (2021) is provided below:



Source: Joint Committee staff calculations.

One could provide a refundable credit amount of \$4,000 at all income levels so that it would be unconditional, effectively shifting these curves, including the plateau region, up. This would preserve work incentives but do the work of the child credit in a more targeted way. Second, one could expand the childless EITC to make it more meaningful.<sup>24</sup> This change could be financed through the progressive rate structure. The notion described above that this would not help Black women disproportionately is not correct. According to the American Community Survey, white women are a lower share of EITC recipients than they are of the overall share of the population and they constitute the same share of women under the poverty line and those under the poverty line that qualify for the EITC. The slightly lower marriage rate and slightly higher number of children of Black women relative to white women suggests that EITC benefits will

<sup>23</sup> See Appendix B for more information on the EITC.

<sup>24</sup> See Hoynes and Rothstein (March 2016) for elaboration on this.

be larger for Blacks as well. And, Jones (2014) indicates that take-up rates for Blacks are slightly higher than for whites.<sup>25</sup>

Expanding the EITC does not have the drama of tearing up the tax code, eliminating all savings preferences or demonizing corporations and the very wealthy. But, it would appear to be the simplest and most straightforward way to improve the racial justice of the tax code on the terms described by analysts who have led this effort to incorporate race into an analysis of tax policy. Similarly, the recently authorized child credit expansion, though not sufficiently well targeted from an income perspective in my view, is projected to provide the largest reduction in Black child poverty in the history of antipoverty policy making clear that race neutral policies can be very effective at improving outcomes for Black Americans.

Such expansions may not directly address the concerns over the racial wealth gap. But, over time, providing more income to those at the bottom of the income distribution will allow them to begin saving and building wealth. More broadly, it is worth acknowledging how difficult it is to provide wealth to the bottom of the income distribution in the context of our current income tax. It is conceivable that targeted saving incentives with sharp phase-outs could also help, though it is not clear *a priori* what the magnitude or sign of the change in racial wealth gaps will be given the current inability to target these incentives based on race.<sup>26</sup>

Reparations would seem best suited to address the question of the racial wealth gap.<sup>27</sup> It is worthwhile noting that comparable efforts at reparations – including those for Japanese-Americans, payments to Holocaust survivors, the Truth and Reconciliation Commission in South Africa, and local American efforts such as those in Rosewood, Florida – did not employ the tax system (other than the question of whether those reparation payments would be taxable). That is, I believe the reparations debate is a very important one to initiate in earnest and it could address the racial wealth gap in interesting ways – but there is no clear, obvious reason to operate it through the tax system.

Most broadly, this hearing will succeed not by emphasizing how and why the tax system may or may not exacerbate racial justice. The true payoff of this hearing will be if the underlying correlation of race with income, wealth, savings and mobility regains its status as a question of central importance to the future of the country. Even if I disagree with particularities of their analysis, I wholeheartedly appreciate and

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<sup>25</sup> See Jones (July 11, 2014).

<sup>26</sup> See Appendix C for a crude exploration of policies that treat ethnic subgroups differently and a particular experiment with gender in India.

<sup>27</sup> See Desai, Page, Antoniou and Fan (2021) for a history on reparations, the example of the Tulsa Massacre, and information related to the current reparations debate in the U.S. at <https://courseware.hbs.edu/public/tulsa/>.

admire the efforts of Professor Brown and others to emphasize these issues. And, I very much hope you all find the courage and wisdom to address these questions as directly as one can, in the tax code and otherwise.

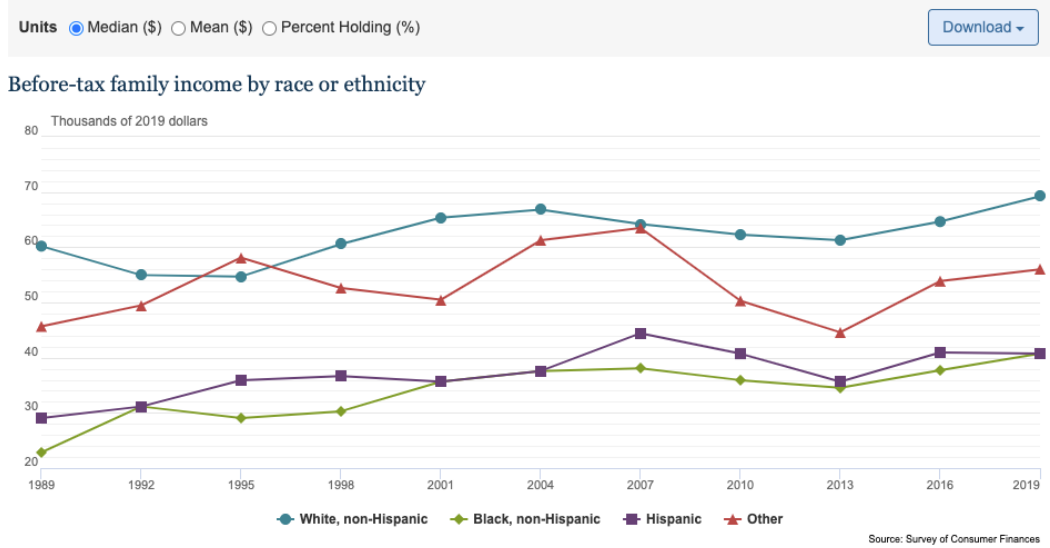
## Appendix A

### The Correlation between Race and Income, Wealth, Savings and Mobility

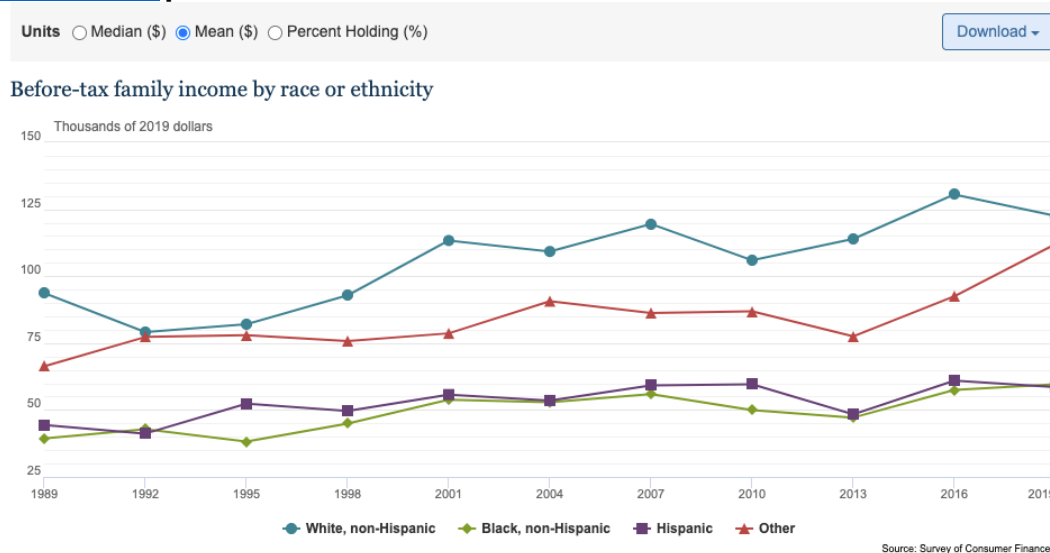
#### Income

##### Before-tax family income

- The median before-tax family income of white, non-Hispanic households in 2019 was 70% greater than that of Black, non-Hispanic households. From 1989 to 2019, the median before-tax family income of white, non-Hispanic households has been consistently greater and ranged from 69-164% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/-series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/-series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

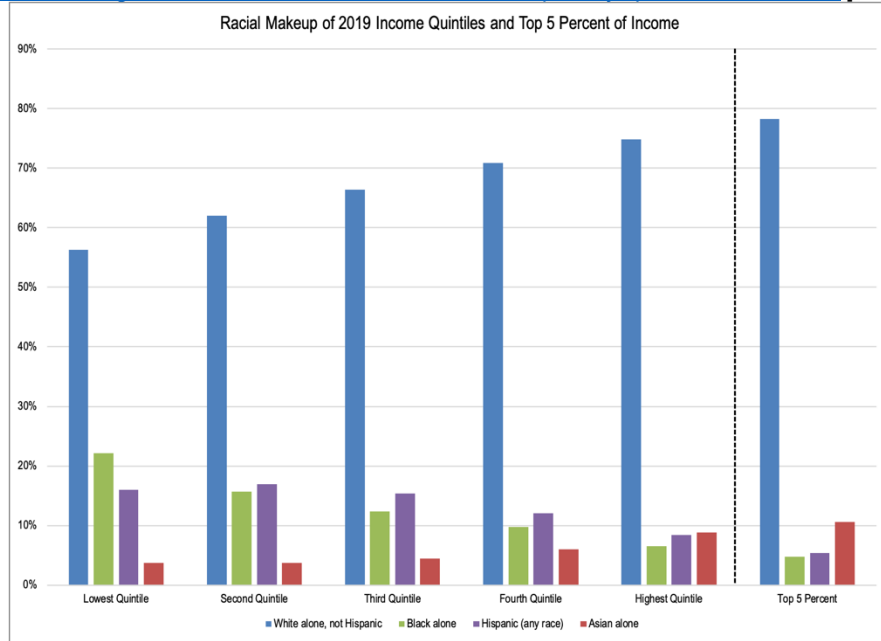


- The mean before-tax family income of white, non-Hispanic households in 2019 was 106% greater than that of Black, non-Hispanic households. From 1989 to 2019, the mean before-tax family income of white, non-Hispanic households has been consistently greater and ranged from 85-141% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

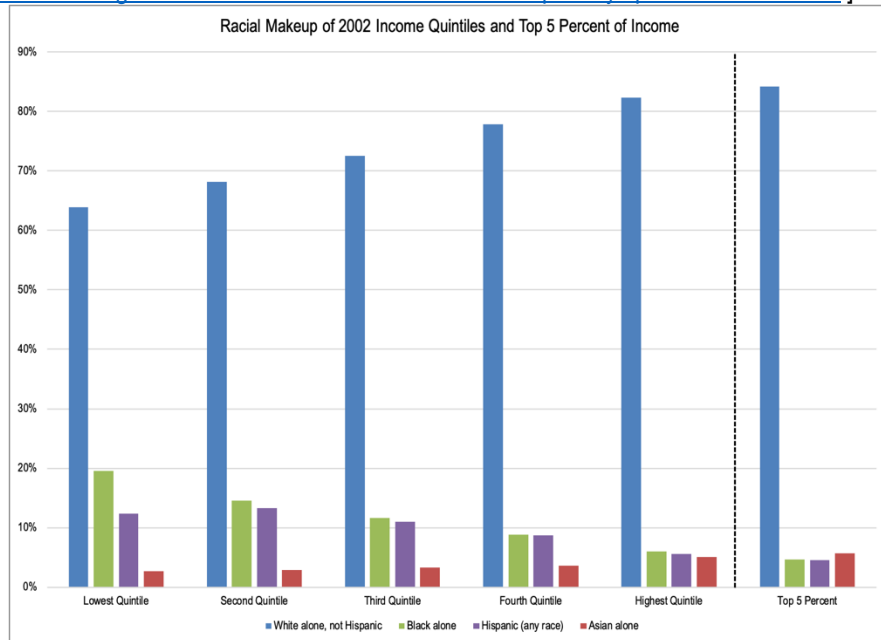


Income quintiles and top 5 percent of income

- In 2019, 56.3% of those in the lowest income quintile were white alone, not Hispanic and 22% were Black alone. In the highest quintile, 74.8% were white alone, not Hispanic and 7% were Black alone. In the top 5 percent, 78% were white alone, not Hispanic and 5% were Black alone. [Current Population Survey Annual Social and Economic Supplement data available at “HINC-05. Percent Distribution of Households, by Selected Characteristics Within Income Quintile and Top 5 Percent,” United States Census Bureau, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hinc/hinc-05.html>.]

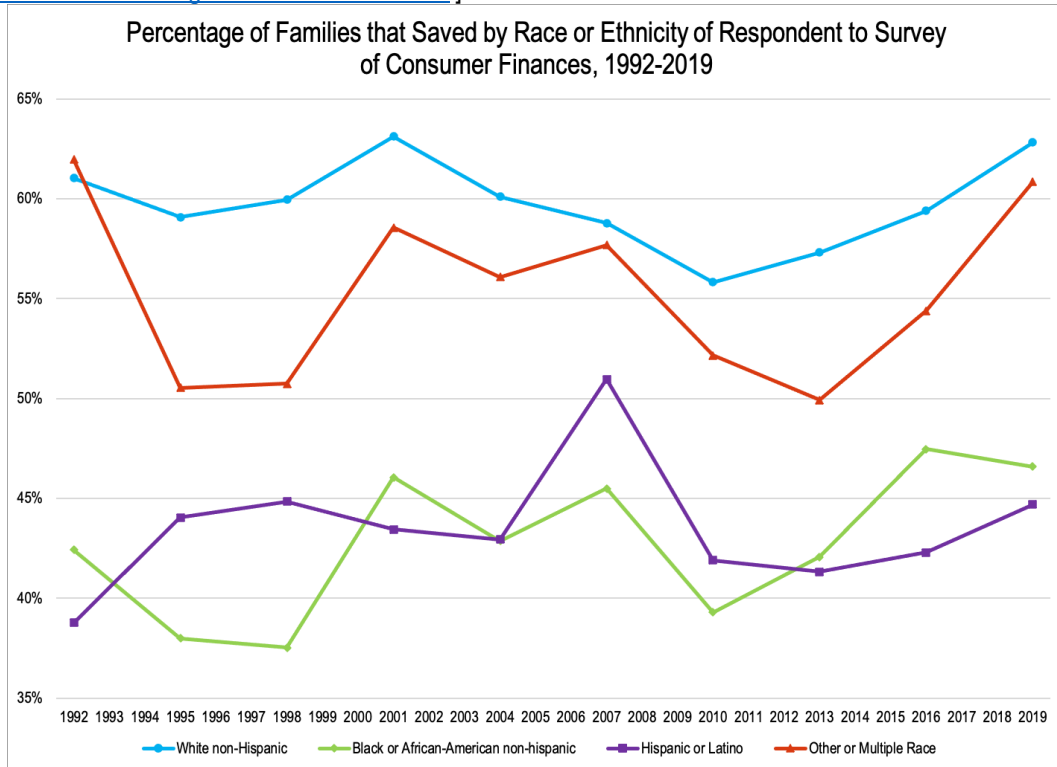


- In 2002, 64% of those in the lowest income quintile were white alone, not Hispanic and 20% were Black alone. In the highest quintile, 82% were white alone, not Hispanic and 6% were Black alone. In the top 5 percent, 84% were white alone, not Hispanic and 5% were Black alone. [Current Population Survey Annual Social and Economic Supplement data available at “HINC-05. Percent Distribution of Households, by Selected Characteristics Within Income Quintile and Top 5 Percent,” United States Census Bureau, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hinc/hinc-05.html>.]



## Savings

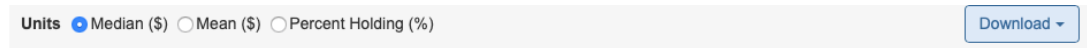
Based on SCF data, white, non-Hispanic households in 2019 were 34.9% more likely to save than Black, non-Hispanic households. From 1992-2019, white, non-Hispanic households have been consistently more likely to save and this greater likelihood has ranged from 25.1% to 59.8%. [Excel based on public data with estimates inflation-adjusted to 2019 dollars on "Survey of Consumer Finances," Board of Governors of the Federal Reserve System, <https://www.federalreserve.gov/econres/scfindex.htm>.]



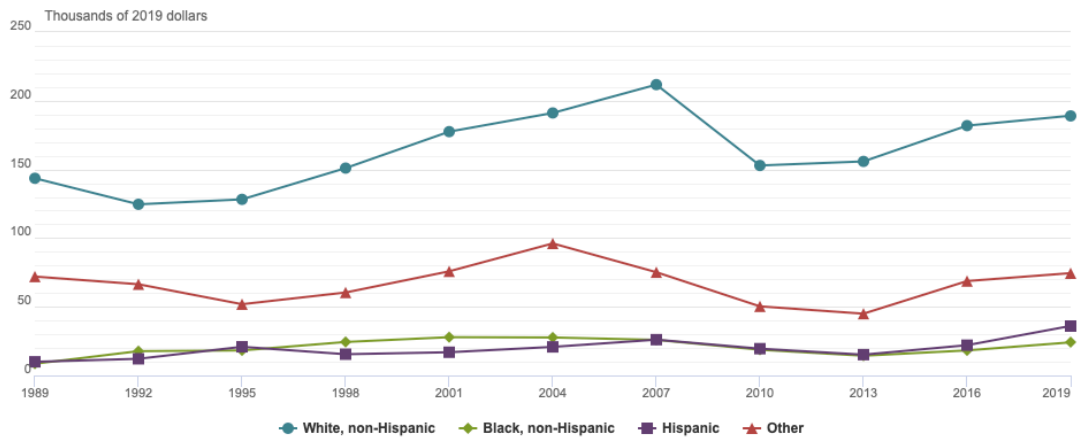
## Wealth

### Net worth

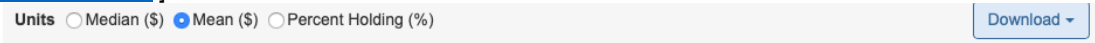
- The median net worth of white, non-Hispanic households in 2019 was 685% greater than that of Black, non-Hispanic households. From 1989 to 2019, the median net worth of white, non-Hispanic households has been consistently greater and ranged from 519-1579% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median).]



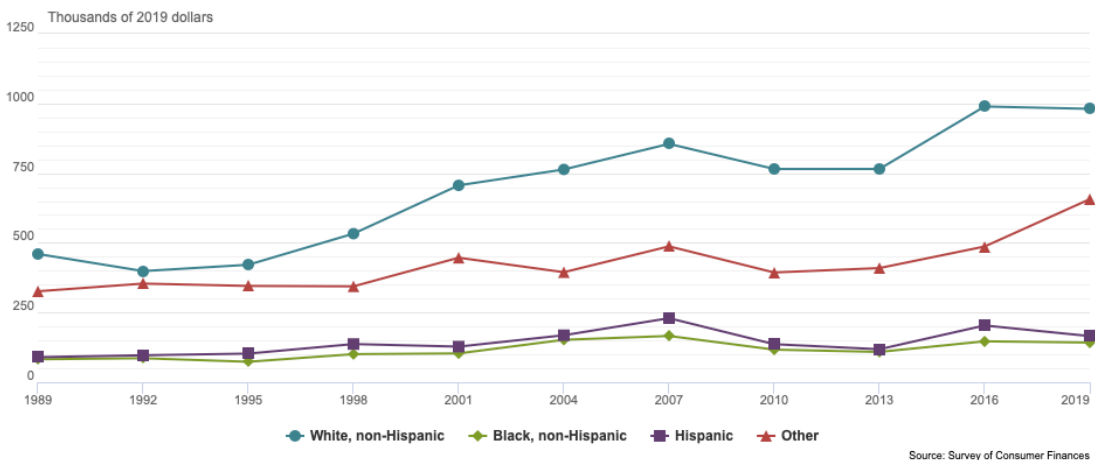
### Net worth by race or ethnicity



- The mean net worth of white, non-Hispanic households in 2019 was 589% greater than that of Black, non-Hispanic households. From 1989 to 2019, the mean net worth of white, non-Hispanic households has been consistently greater and ranged from 363-603% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;p:population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;p:population:all;units:median.)]



### Net worth by race or ethnicity



- Across different age groups, median wealth for Black Americans is consistently less than that of white Americans: for under 35, median wealth for white Americans is 42.3 times that of Black Americans; for 35-54, median wealth for white Americans is 4.6 times that of Black Americans; and for over 55, median wealth for white Americans is 5.9 times that of Black Americans. [Bhutta, Chang, Dettling and Hsu, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," Board of Governors of the Federal Reserve System, September 28, 2020, [https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm.](https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm)]



Table 1: Wealth rises with age for all families, but substantial wealth gaps between White and non-White families persist throughout the life-cycle.

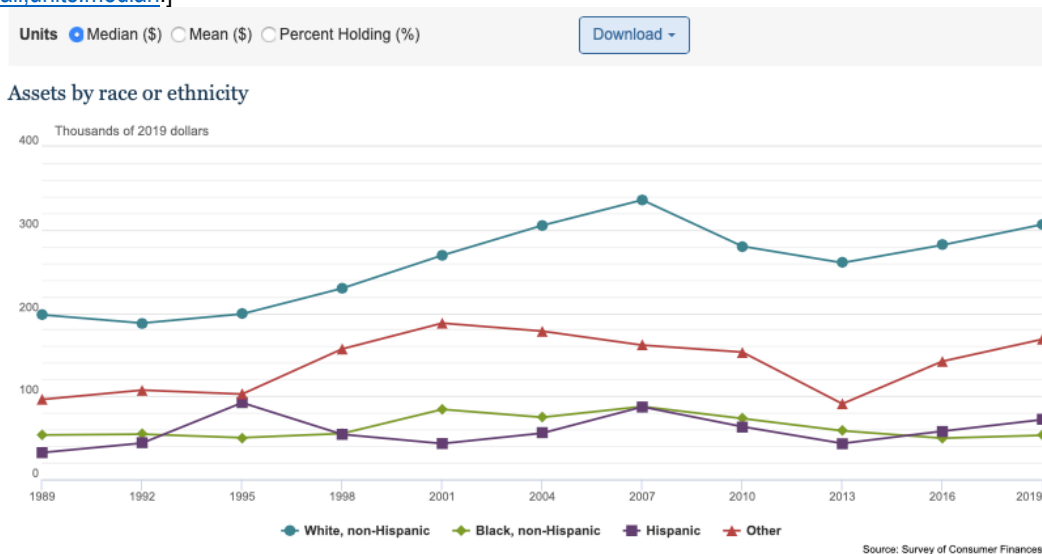
	White	Black	Hispanic	Other
Under 35	25.4	0.6	11.2	13.5
35-54	185.0	40.1	46.1	154.5
Over 55	315.0	53.8	111.5	213.2

Source: Federal Reserve Board, 2019 Survey of Consumer Finances.

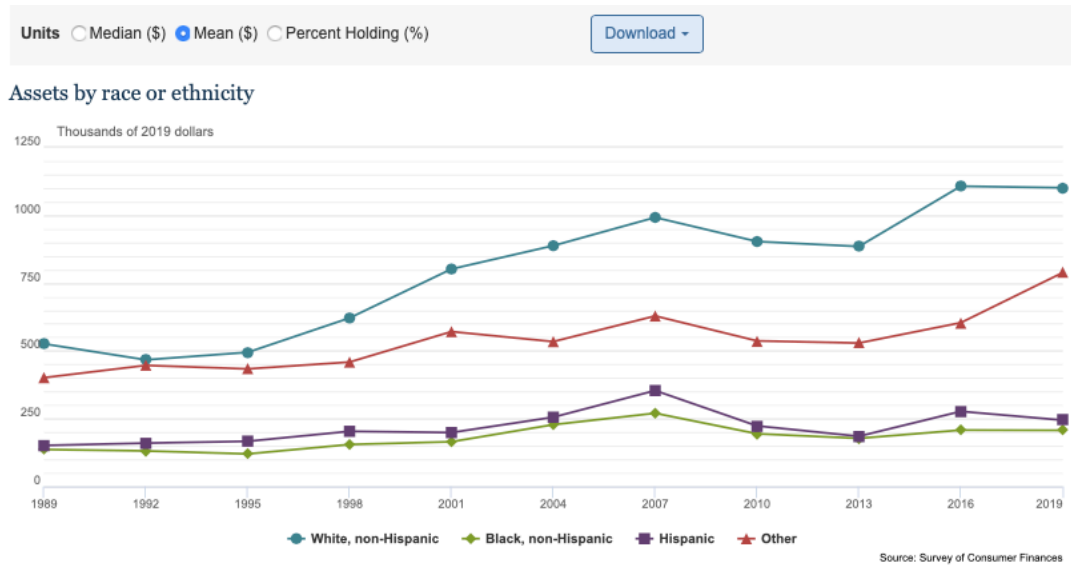
Notes: Table displays median wealth by age group and by race and ethnicity in thousands of 2019 dollars.

Assets

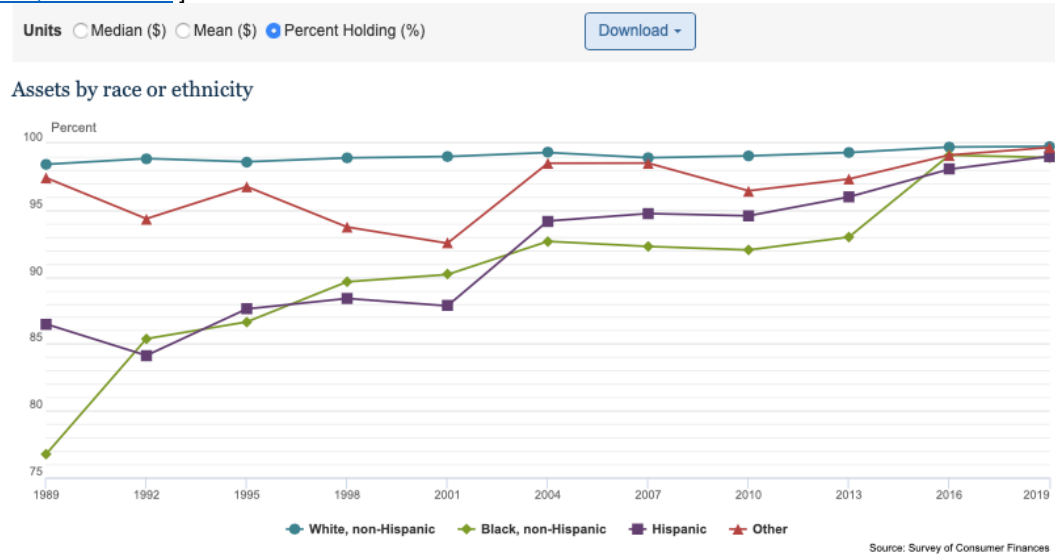
- The median assets of white, non-Hispanic households in 2019 was 478% greater than that of Black, non-Hispanic households. From 1989 to 2019, the median assets of white, non-Hispanic households have been consistently greater and ranged from 220-478% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



- The mean assets of white, non-Hispanic households in 2019 was 432% greater than that of Black, non-Hispanic households. From 1989 to 2019, the mean assets of white, non-Hispanic households have been consistently greater and ranged from 256-433% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

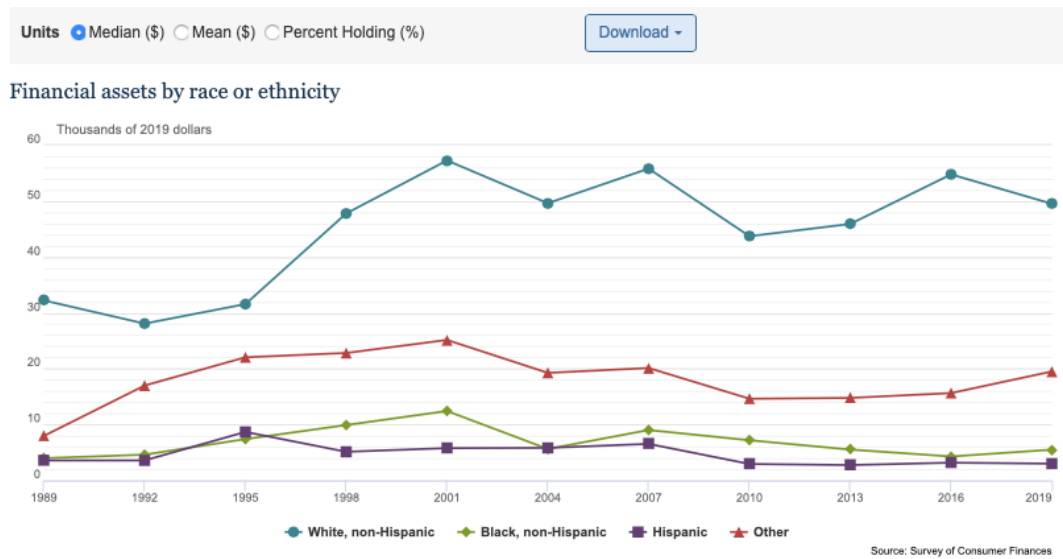


- In 1989, the gap between White, non-Hispanic households and Black, non-Hispanic households that held assets was 21.7 percentage points and has decreased to 0.8 percentage points in 2019. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;p\\_opulation:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;p_opulation:all;units:median.)]

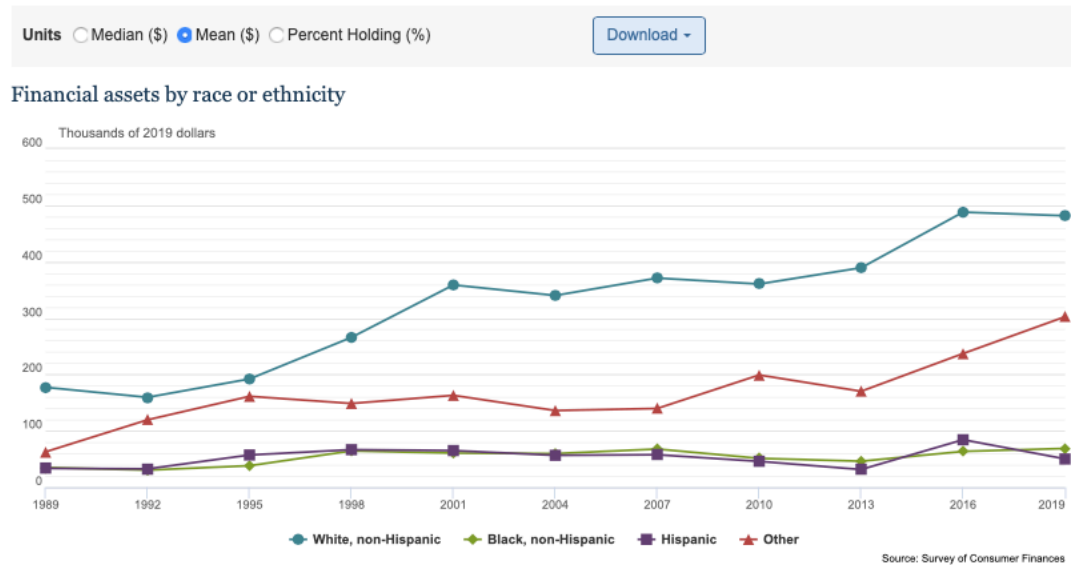


### Financial assets

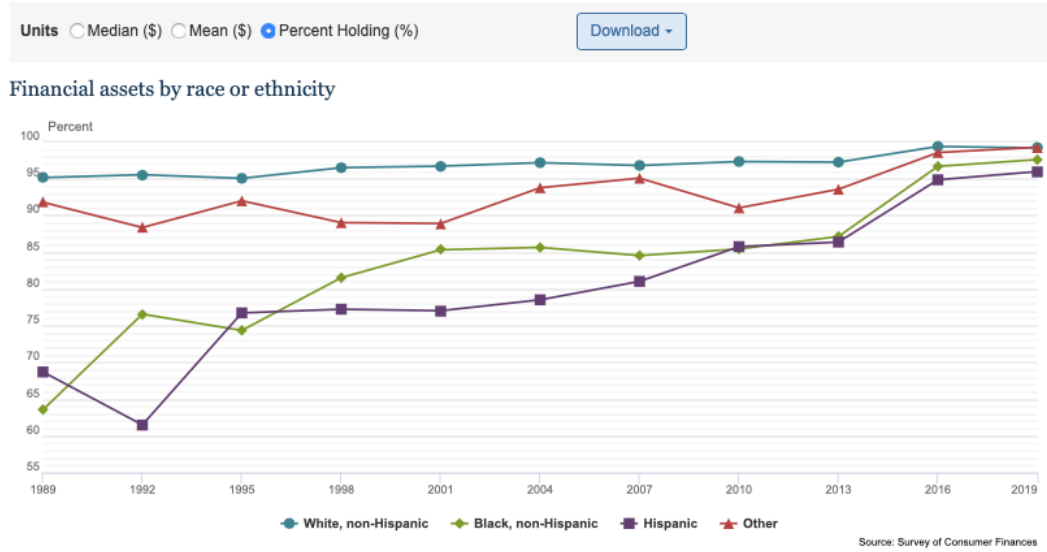
- The median financial assets of white, non-Hispanic households in 2019 was 800% greater than that of Black, non-Hispanic households. From 1989 to 2019, the median financial assets of white, non-Hispanic households have been consistently greater and ranged from 327-1,178% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;p\\_opulation:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;p_opulation:all;units:median.)]



- The mean financial assets of white, non-Hispanic households in 2019 was 600% greater than that of Black, non-Hispanic households. From 1989 to 2019, the mean financial assets of white, non-Hispanic households have been consistently greater and ranged from 312-742% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

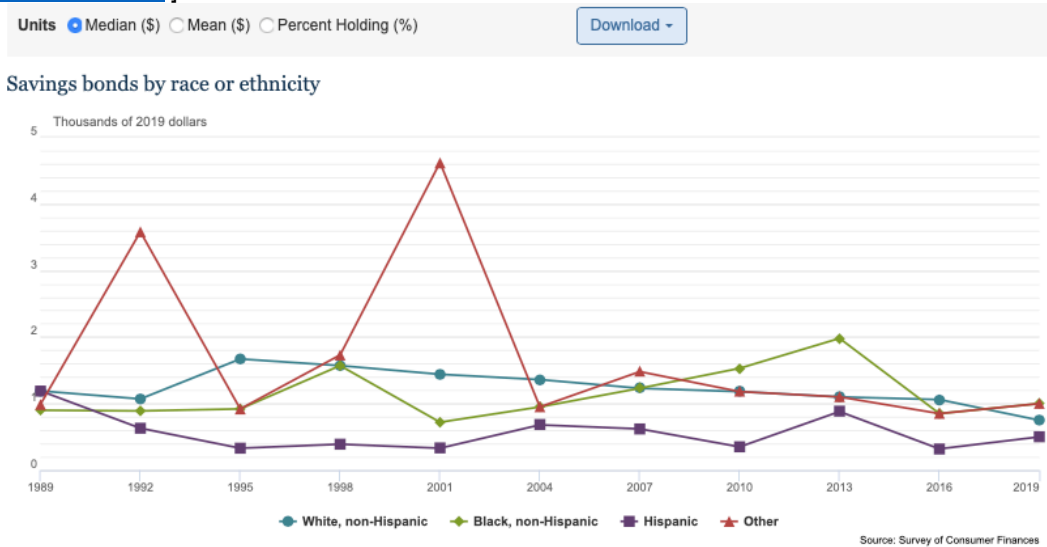


- In 1989, the gap between White, non-Hispanic households and Black, non-Hispanic households that held financial assets was 31.6 percentage points and has decreased to 1.6 percentage points in 2019. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

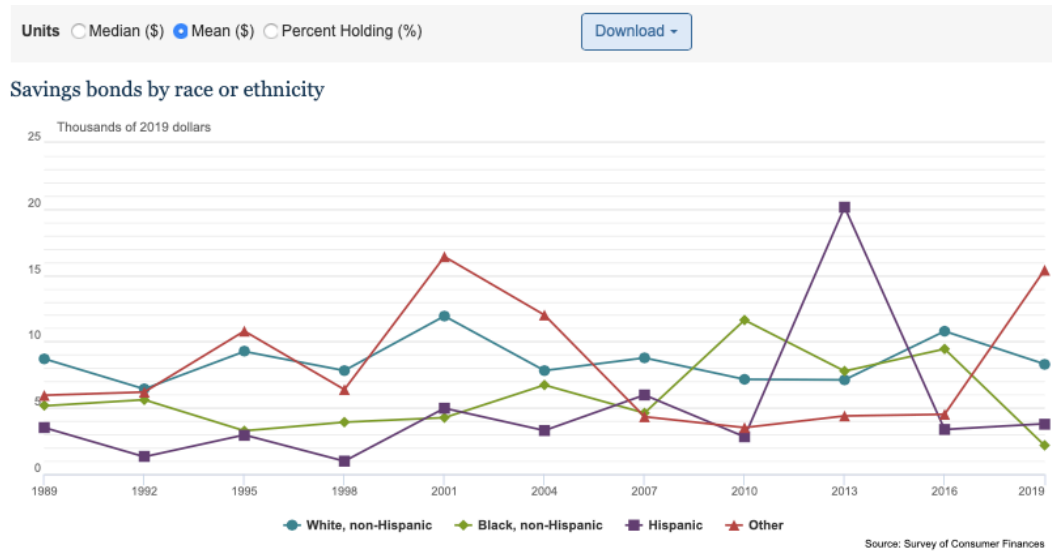


### Savings bonds

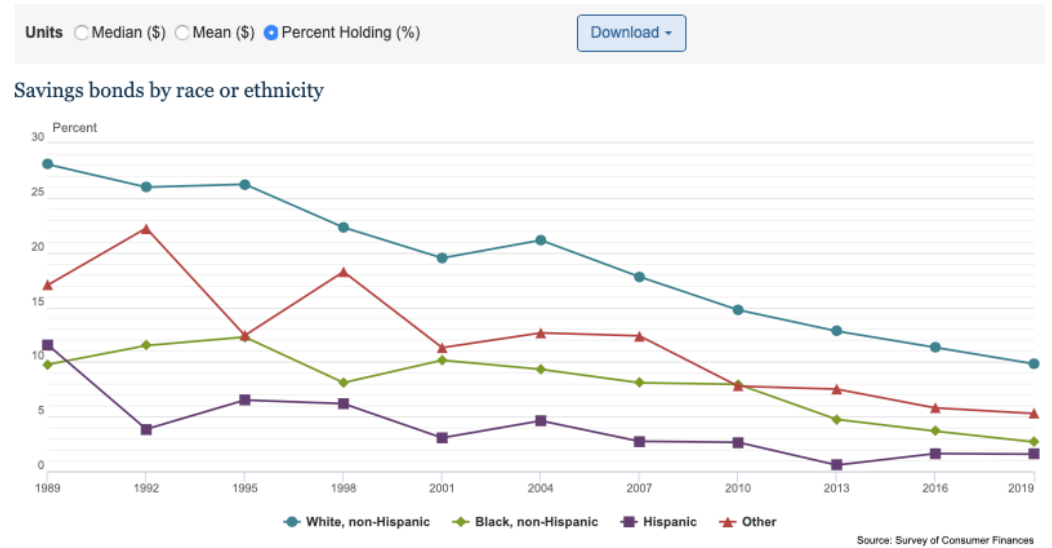
- The median savings bonds of Black, non-Hispanic households in 2019 was 33% greater than that of white, non-Hispanic households. In 2007, the median savings bonds of Black, non-Hispanic and white, non-Hispanic households were equal and since then the median savings bonds of Black, non-Hispanic households have been greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



- The mean savings bonds of white, non-Hispanic households in 2019 was 284% greater than that of Black, non-Hispanic households. Between 1989 and 2019, the mean savings bonds of white, non-Hispanic households have been greater than that of Black, non-Hispanic households except for in 2010 and 2013. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

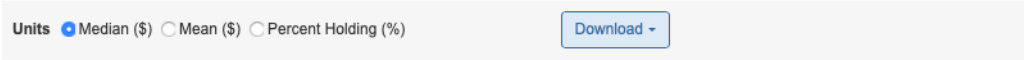


- The percent holding savings bonds has declined for both Black, non-Hispanic households and white, non-Hispanic households between 1989 and 2019. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

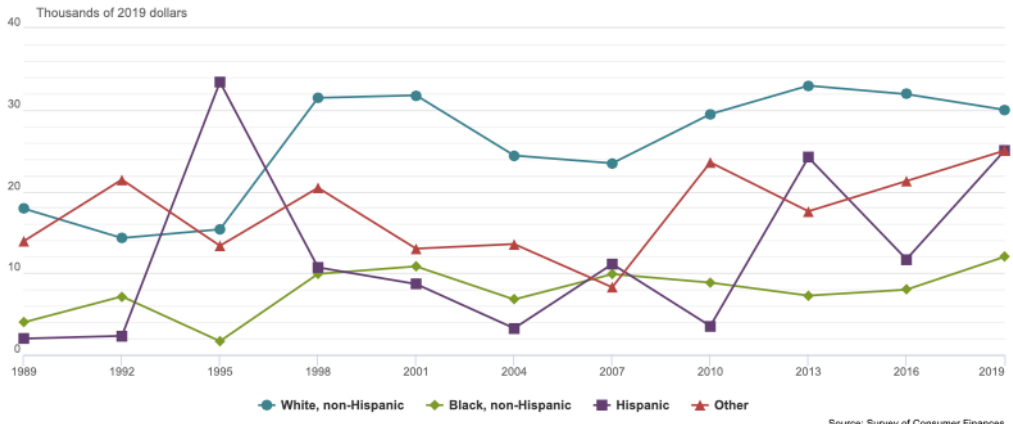


### Directly held stocks

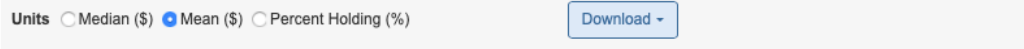
- The median directly held stocks of white, non-Hispanic households in 2019 was 150% greater than that of Black, non-Hispanic households. From 1989 to 2019, the median directly held stocks of white, non-Hispanic households have been consistently greater and ranged from 100-820% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



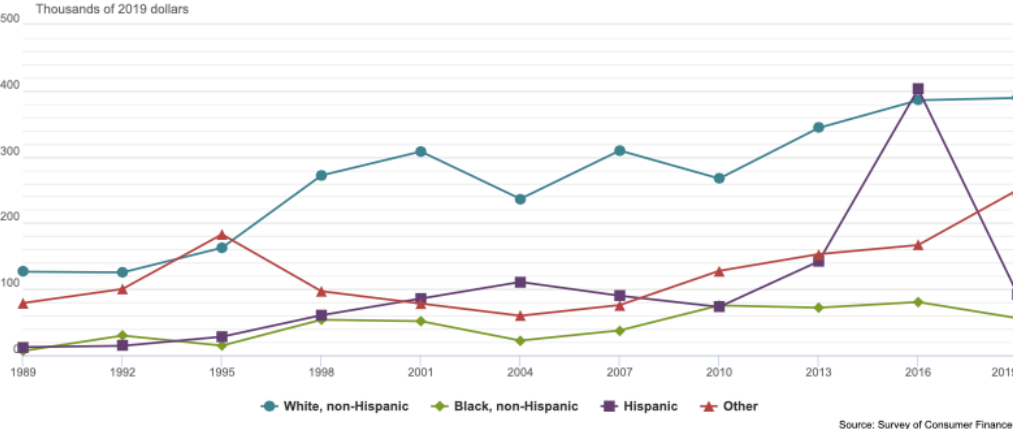
Directly held stocks by race or ethnicity



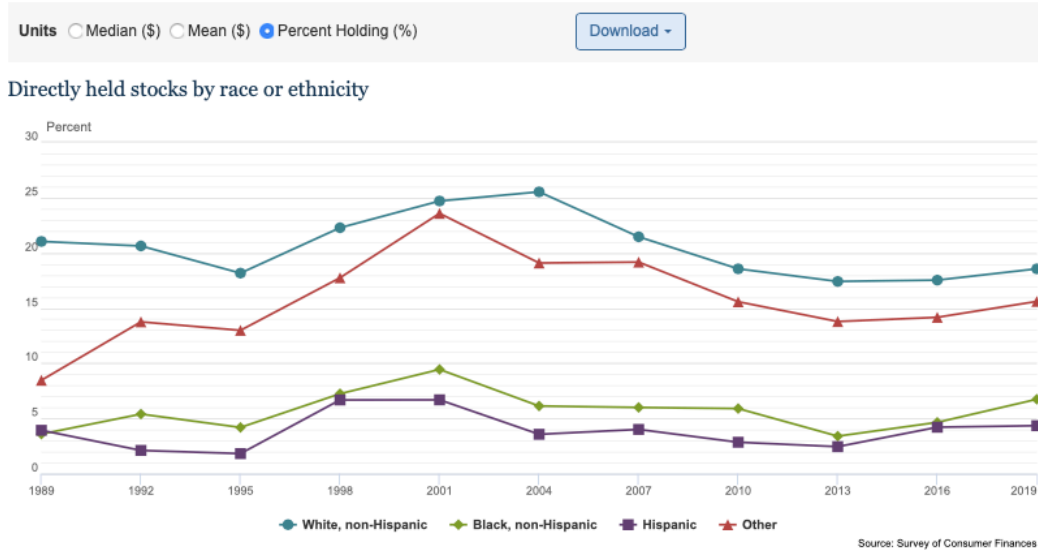
- The mean directly held stocks of white, non-Hispanic households in 2019 was 594% greater than that of Black, non-Hispanic households. From 1989 to 2019, the mean directly held stocks of white, non-Hispanic households have been consistently greater and ranged from 255-1,831% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



Directly held stocks by race or ethnicity

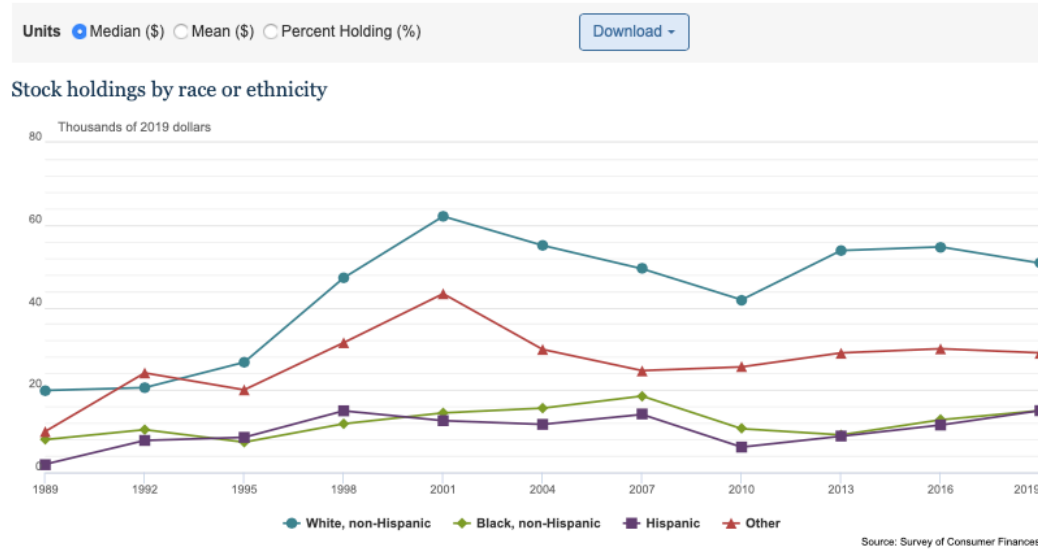


- Between 1989 and 2019, the percent of white, non-Hispanic households with directly held stocks has been consistently larger than that of Black, non-Hispanic households and has ranged from 12-19 percentage points greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

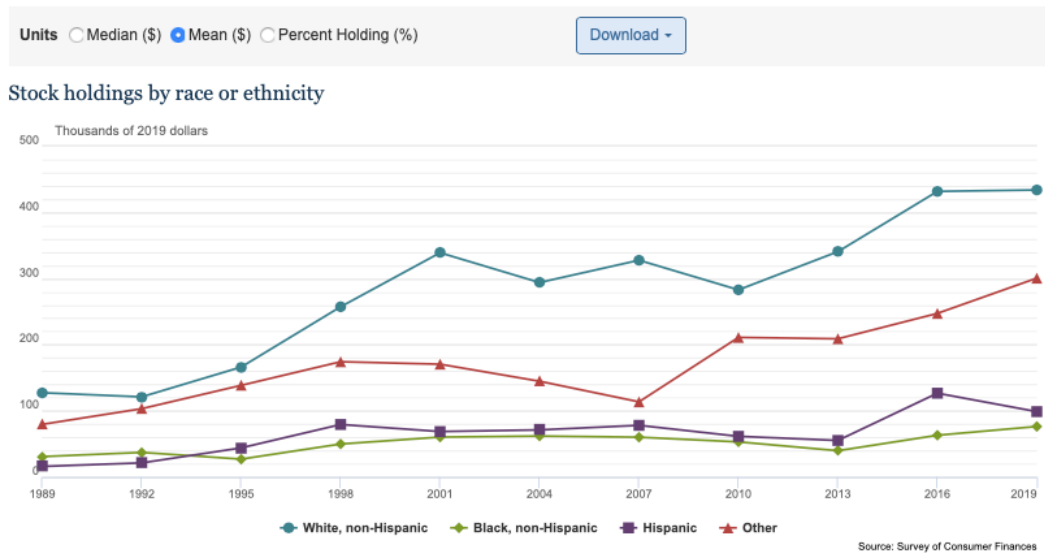


### Stock holdings

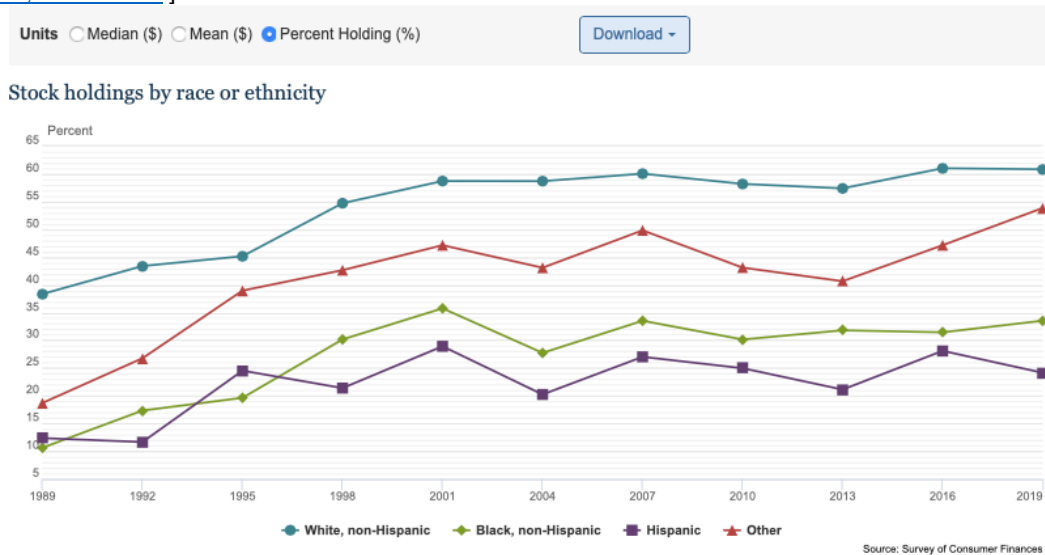
- The median stock holdings of white, non-Hispanic households in 2019 was 238% greater than that of Black, non-Hispanic households. From 1989 to 2019, the median stock holdings of white, non-Hispanic households have been consistently greater and ranged from 98-490% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



- The mean stock holdings of white, non-Hispanic households in 2019 was 469% greater than that of Black, non-Hispanic households. From 1989 to 2019, the mean stock holdings of white, non-Hispanic households have been consistently greater and ranged from 226-758% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



- Between 1989 and 2019, the percent of white, non-Hispanic households with stock holdings has been consistently larger than that of Black, non-Hispanic households and has ranged from 23-31 percentage points greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



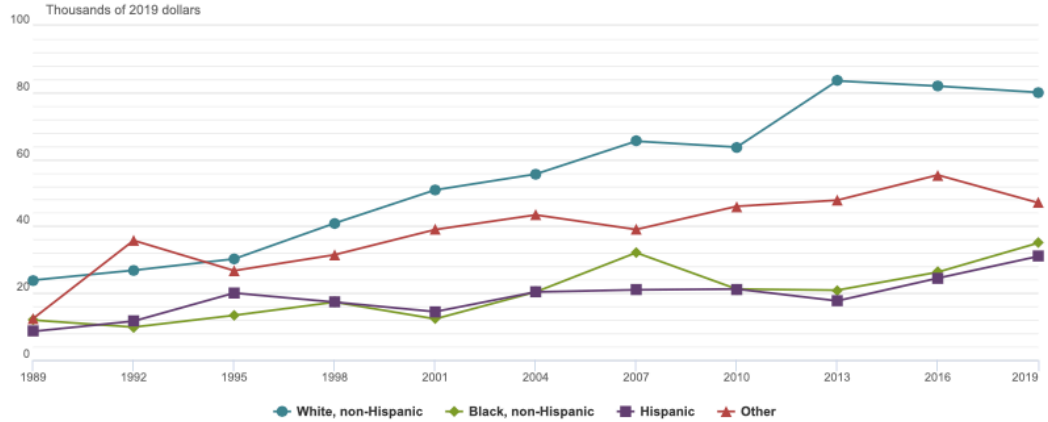
### Retirement accounts

- From 1989-2019, median retirement accounts of white, non-Hispanic households are consistently greater than that of Black, non-Hispanic households and range from 100-314% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



Units  Median (\$)  Mean (\$)  Percent Holding (%) Download ▾

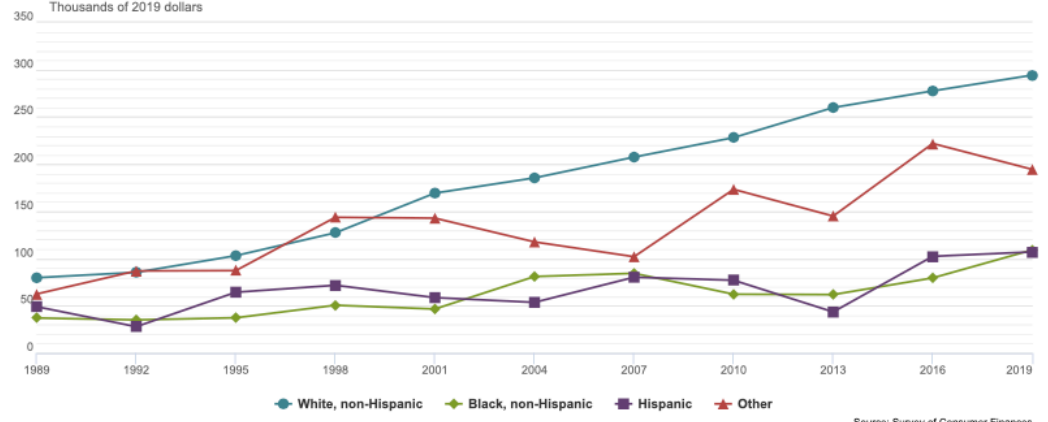
Retirement accounts by race or ethnicity



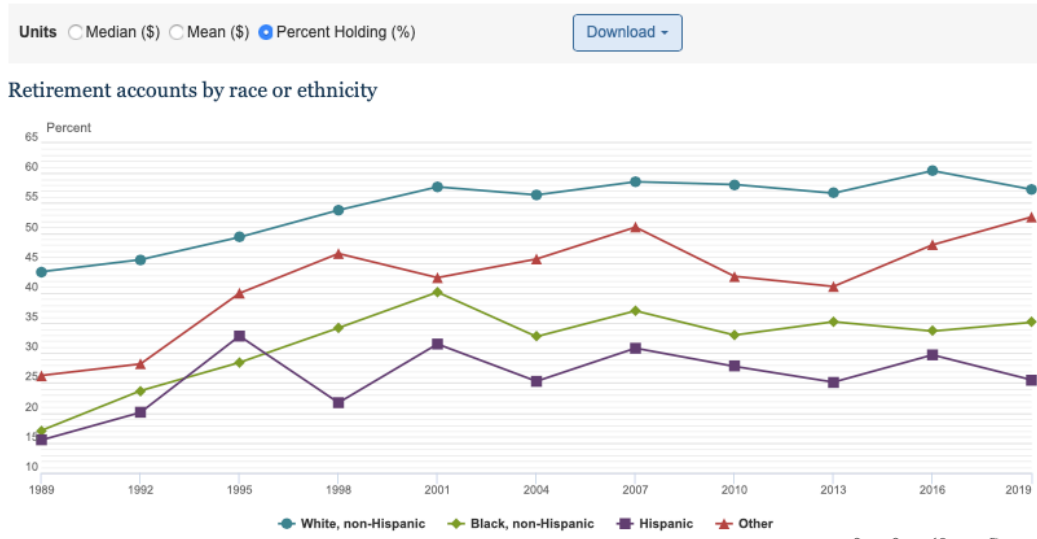
- From 1989-2019, mean retirement accounts of white, non-Hispanic households are consistently greater than that of Black, non-Hispanic households and range from 115-320% greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

Units  Median (\$)  Mean (\$)  Percent Holding (%) Download ▾

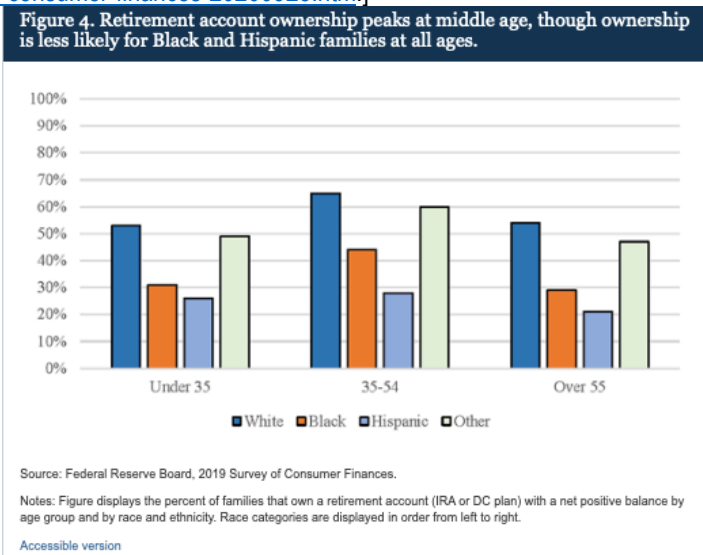
Retirement accounts by race or ethnicity



- Between 1989 and 2019, the percent of white, non-Hispanic households with retirement accounts has been consistently larger than that of Black, non-Hispanic households and has ranged from 18-27 percentage points greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



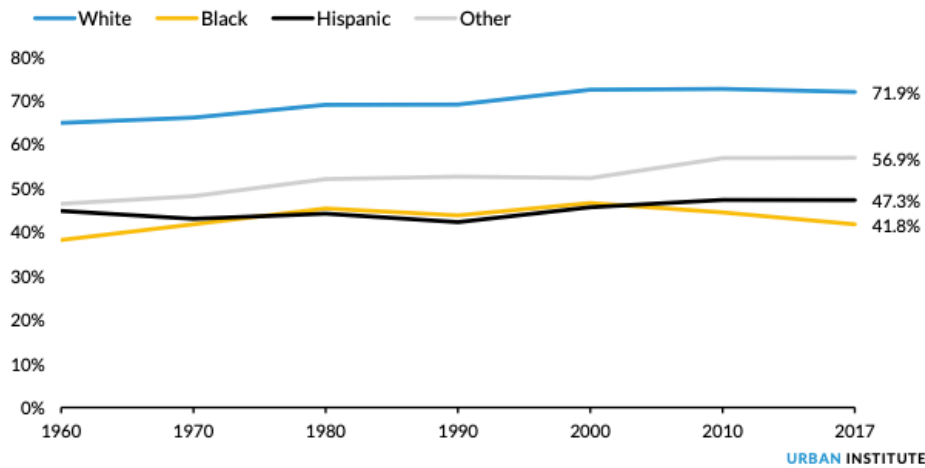
- Across age ranges, retirement account ownership by white families is consistently at least 2 times that of Black families. [Bhutta, Chang, Dettling and Hsu, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," Board of Governors of the Federal Reserve System, September 28, 2020, <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>.]



### Homeownership

- From 1960-2017, homeownership for white Americans has been consistently greater than that of Black Americans and was 72% greater in 2017. [Choi, McCargo, Neal, Goodman and Young, *Explaining the Black-White Homeownership Gap: A Closer Look at Disparities across Local Markets* (Washington, D.C.: Urban Institute, October 2019), [https://www.urban.org/sites/default/files/publication/101160/explaining\\_the\\_black-white\\_homeownership\\_gap\\_a\\_closer\\_look\\_at\\_disparities\\_across\\_local\\_markets\\_0.pdf](https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_a_closer_look_at_disparities_across_local_markets_0.pdf).]

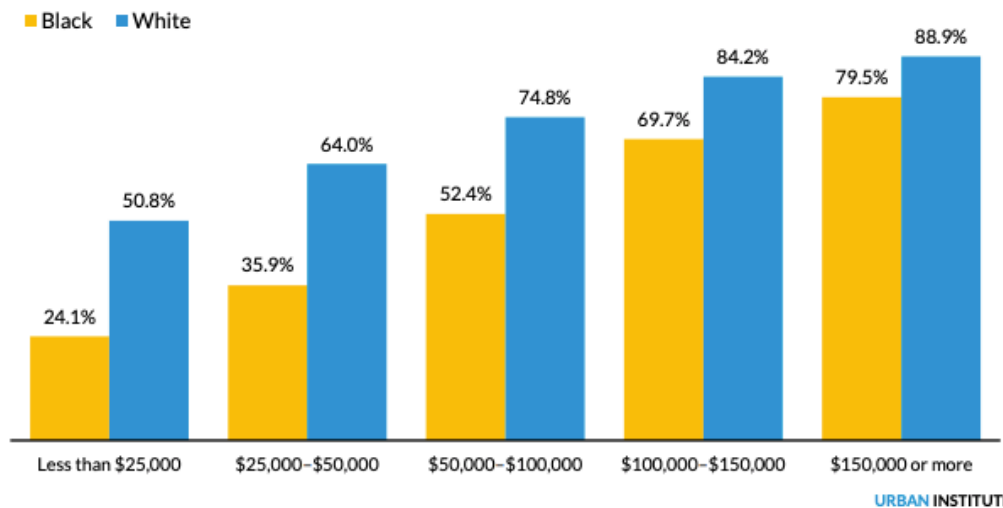
**FIGURE 1**  
**Homeownership by Race or Ethnicity**



Sources: Decennial Census and the American Community Survey.

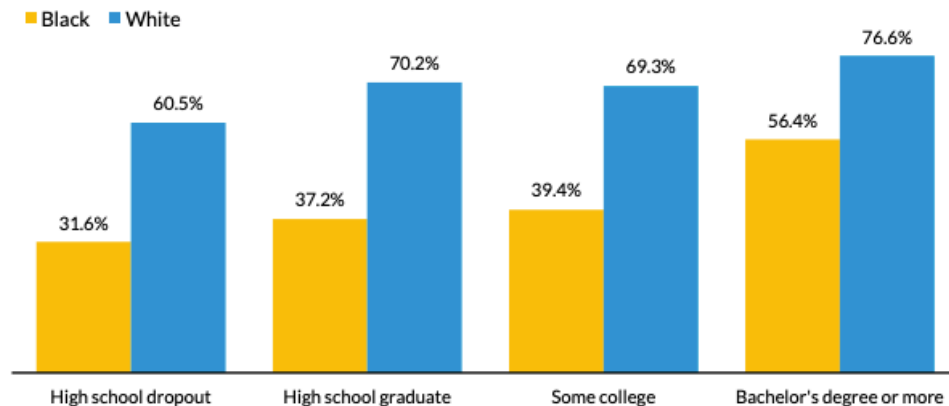
- Homeownership for Black Americans is less than that of White Americans even when separately controlling for household income, educational attainment, and marital status. [Choi, McCargo, Neal, Goodman and Young, *Explaining the Black-White Homeownership Gap: A Closer Look at Disparities across Local Markets* (Washington, D.C.: Urban Institute, October 2019), [https://www.urban.org/sites/default/files/publication/101160/explaining\\_the\\_black-white\\_homeownership\\_gap\\_a\\_closer\\_look\\_at\\_disparities\\_across\\_local\\_markets\\_0.pdf](https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_a_closer_look_at_disparities_across_local_markets_0.pdf).]

**FIGURE 4**  
**Homeownership Rate by Household Income, 2017**



Source: 2017 American Community Survey.

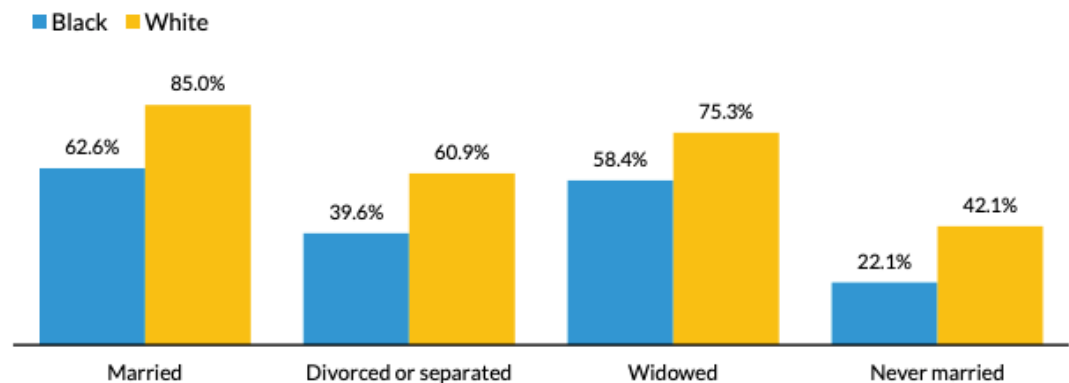
**FIGURE 6**  
**Homeownership Rate by Educational Attainment, 2017**



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Source: 2017 American Community Survey.

**FIGURE 10**  
**Homeownership Rates by Marital Status, 2017**

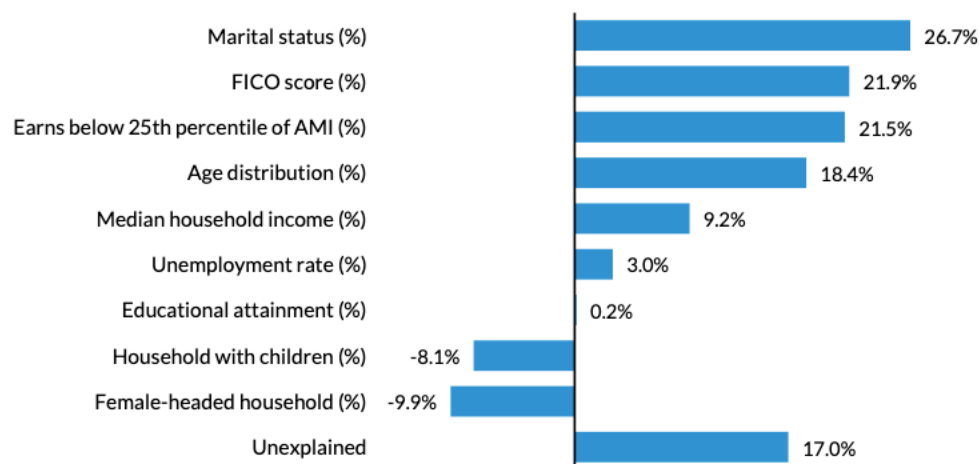


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Source: 2017 American Community Survey.

- "marital composition, FICO score distribution, age, and income distribution explain the largest proportion of the black-white homeownership gap at the [Metropolitan Statistical Area] level. The results also show that about 17 percent of the homeownership gap remains unexplained." [Choi, McCargo, Neal, Goodman and Young, *Explaining the Black-White Homeownership Gap: A Closer Look at Disparities across Local Markets* (Washington, D.C.: Urban Institute, October 2019), [https://www.urban.org/sites/default/files/publication/101160/explaining\\_the\\_black-white\\_homeownership\\_gap\\_a\\_closer\\_look\\_at\\_disparities\\_across\\_local\\_markets\\_0.pdf](https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_a_closer_look_at_disparities_across_local_markets_0.pdf).]

**FIGURE 17**  
**Oaxaca Decomposition**



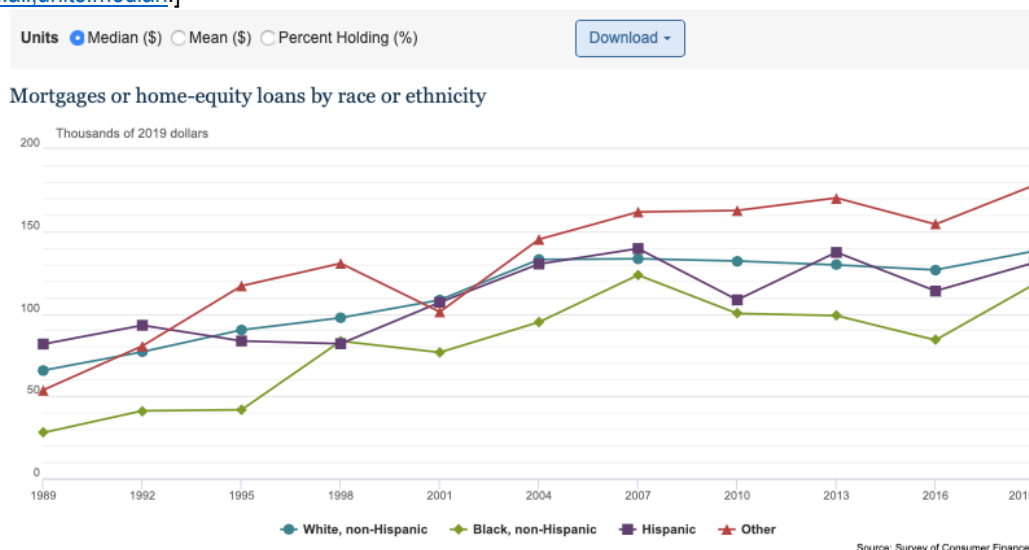
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Sources: Decennial Census, the American Community Survey, Freddie Mac, and the Bureau of Economic Analysis.

Note: AMI = area median income.

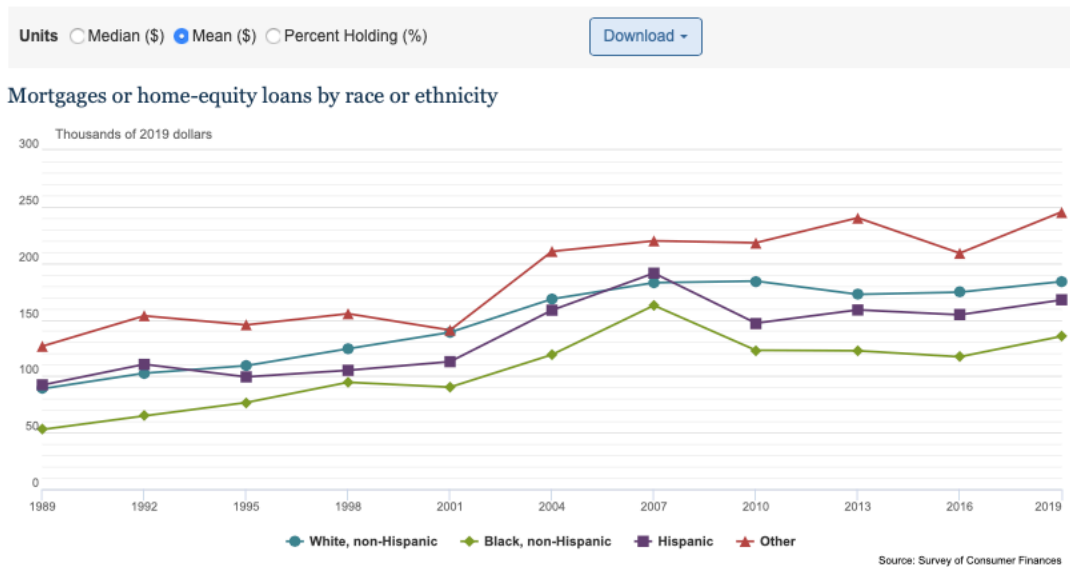
Mortgages or home-equity loans

- From 1989-2019, median mortgages or home-equity loans of white, non-Hispanic households are consistently greater than that of Black, non-Hispanic households and range from 8-136% greater ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]

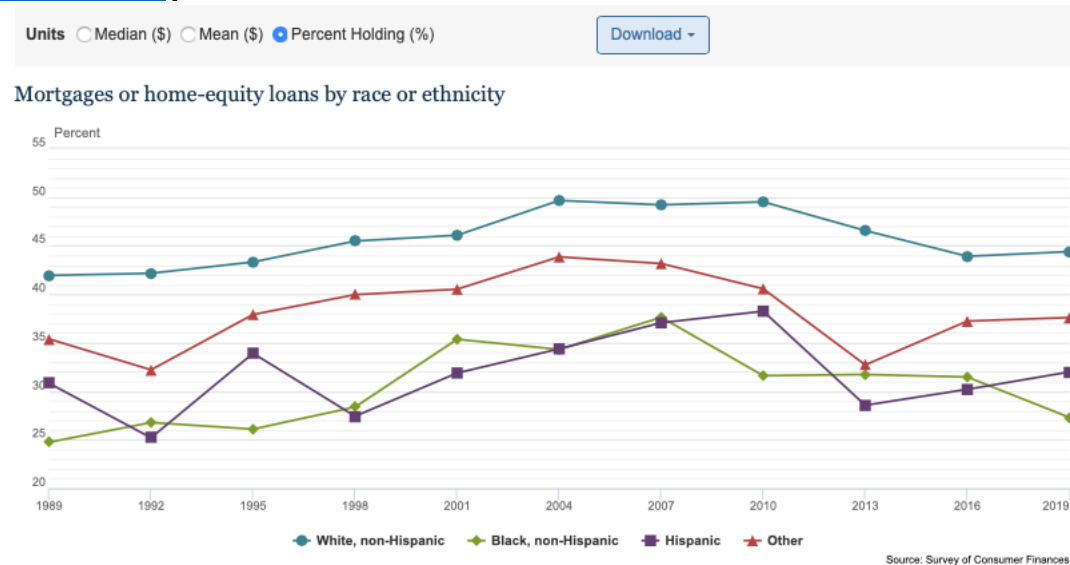


Source: Survey of Consumer Finances

- From 1989-2019, mean mortgages or home-equity loans of white, non-Hispanic households are consistently greater than that of Black, non-Hispanic households and range from 12-68% greater ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



- Between 1989 and 2019, the percent of white, non-Hispanic households with mortgages or home-equity loans has been consistently larger than that of Black, non-Hispanic households and has ranged from 11-18 percentage points greater. ["Survey of Consumer Finances, 1989-2019," Board of Governors of the Federal Reserve System, [https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before\\_Tax\\_Income;demographic:racecl4;population:all;units:median.](https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Before_Tax_Income;demographic:racecl4;population:all;units:median.)]



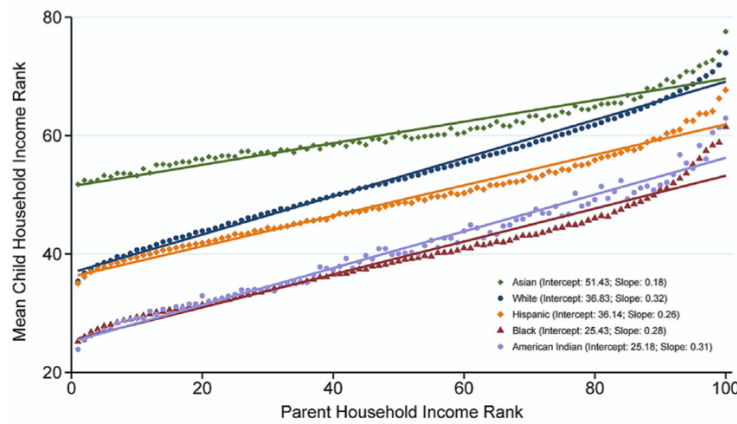
## Intergenerational Mobility

### Income mobility

- "black Americans and American Indians have much lower rates of upward mobility and higher rates of downward mobility than whites, leading to persistent disparities across generations...Both blacks and American Indians have rank-rank mobility curves that are shifted down relative to whites across the entire parental income distribution by approximately 13 percentiles. This remains true even among children born to parents in the top 1%, implying that children born into high-income black families have substantially higher rates of downward mobility than whites across generations...a black child born to parents in the top quintile is roughly as likely to fall to the bottom family income quintile as he or she is to remain in the top quintile; in contrast, white children are nearly five times as likely to remain in the top quintile as they are to fall to the bottom quintile." [Chetty, Hendren,

Jones and Porter, "Race and Economic Opportunity in the United States: An Intergenerational Perspective," *The Quarterly Journal of Economics* 135, no. 2 (2020): 711-783.]

(A) All Children



○ Wealth mobility

- White families have greater access to wealth from family members or friends than do Black families: white families are almost three times more likely to have received an inheritance; they are 2.85 times more likely to expect an inheritance; their median expected and actual inheritances are larger; and they are almost two times more likely to be able to get \$3,000 from family or friends. [Bhutta, Chang, Dettling and Hsu, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," Board of Governors of the Federal Reserve System, September 28, 2020, <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>.]

Table 2: White families are substantially more likely to receive inheritances, gifts and other family support than Black and Hispanic families

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	White	Black	Hispanic	Other
Received an Inheritance (Percent)	29.9	10.1	7.2	17.8
Conditional Median Inheritance (Thousands of 2019 dollars)	88.5	85.8	52.2	59.4
Expect an Inheritance (Percent)	17.1	6.0	4.2	14.7
Conditional Median Expected Inheritance (Thousands of 2019 dollars)	195.5	100.0	150.0	100.0
Could get \$3,000 from family or friends (Percent)	71.9	40.9	57.8	63.4
Parent(s) have a College Degree (Percent)	34.4	24.8	15.2	40.0

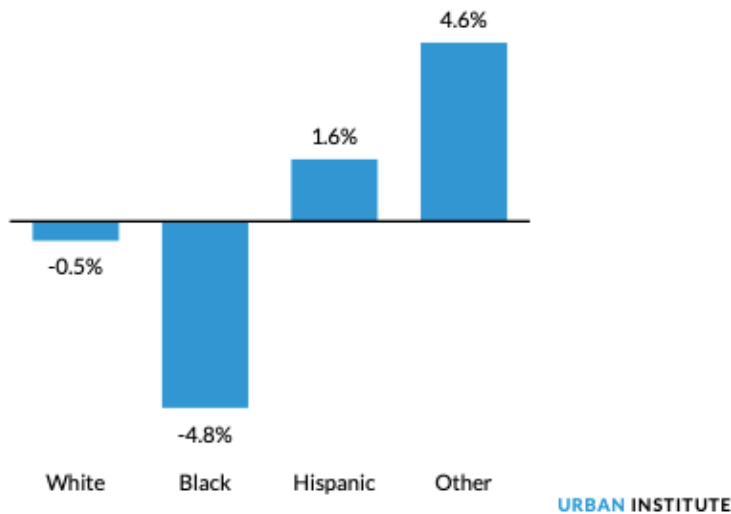
Source: Federal Reserve Board, 2019 Survey of Consumer Finances.

Notes: Table displays inheritances and gifts received, expected inheritances, and other indicators of family support, by race and ethnicity, expressed in either Percent or Thousands of 2019 dollars. Parent(s) with a college degree refers to the parents of the reference person.

○ Disproportionate Impact of GFC

The homeownership rate for Black Americans declined almost ten times as much as that of white Americans from 2000 to 2017. [Choi, McCargo, Neal, Goodman and Young, *Explaining the Black-White Homeownership Gap: A Closer Look at Disparities across Local Markets* (Washington, D.C.: Urban Institute, October 2019), [https://www.urban.org/sites/default/files/publication/101160/explaining\\_the\\_black-white\\_homeownership\\_gap\\_a\\_closer\\_look\\_at\\_disparities\\_across\\_local\\_markets\\_0.pdf](https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_a_closer_look_at_disparities_across_local_markets_0.pdf).]

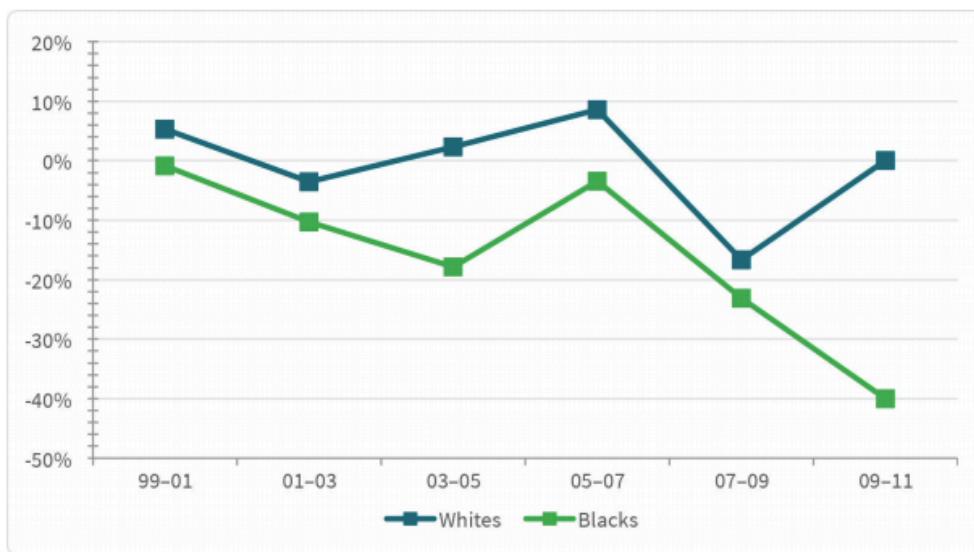
**FIGURE 2**  
**Changes in the Homeownership Rates by Race or Ethnicity, 2000-17**



Sources: Decennial Census and the American Community Survey.

“in the 2007 to 2009 period, wealth declined for both groups. White wealth excluding home equity dropped by 17 percent; blacks lost 23 percent of their wealth, not including the value of their homes. But starting in 2009, white wealth trends began an uptick, whereas blacks saw a 17-percentage-point further decline.” [Burd-Sharps and Rasch, *Impact of the US Housing Crisis on the Racial Wealth Gap Across Generations* (New York: Social Science Research Council, June 2015; New York: American Civil Liberties Union, June 2015), [https://www.aclu.org/sites/default/files/field\\_document/discrimlend\\_final.pdf](https://www.aclu.org/sites/default/files/field_document/discrimlend_final.pdf).]

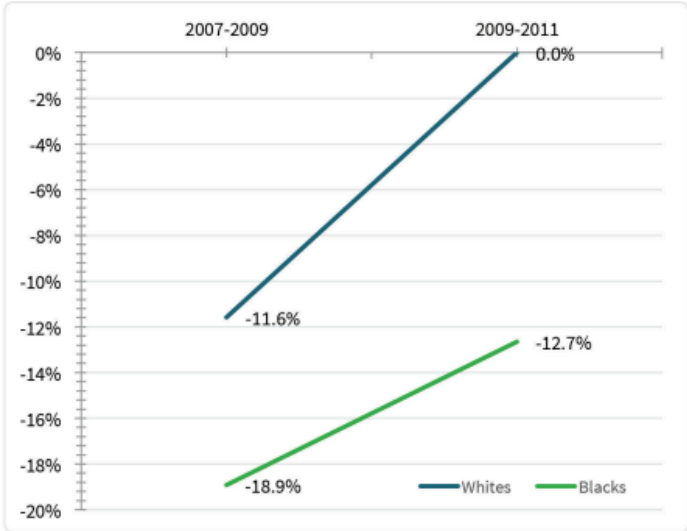
**FIGURE 2. PERCENTAGE CHANGE IN HOUSEHOLD WEALTH (excluding home equity)**



Household wealth including home equity: “while the typical white household experienced zero losses between 2009 and 2011 [ ] the typical black household continued to experience significant declines in wealth over the same period [ , 12.7%].” [Burd-Sharps and Rasch, *Impact of the US Housing Crisis on the Racial Wealth Gap Across Generations* (New York: Social Science Research Council, June 2015; New York: American Civil Liberties Union, June 2015), [https://www.aclu.org/sites/default/files/field\\_document/discrimlend\\_final.pdf](https://www.aclu.org/sites/default/files/field_document/discrimlend_final.pdf).]



FIGURE 4. PERCENTAGE CHANGE IN HOUSEHOLD WEALTH, INCLUDING HOME EQUITY, 2007-2011



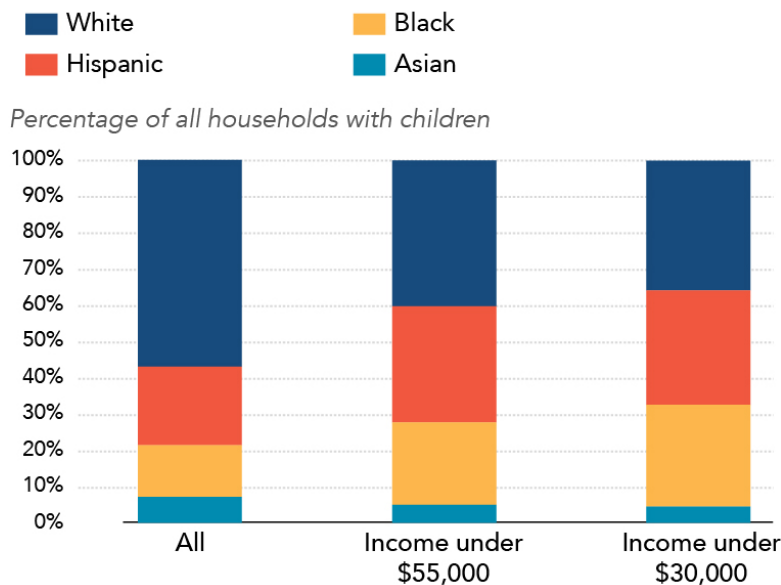
## Appendix B

### EITC

- Black families are overrepresented in the households with children with incomes under \$55,000 as well as with incomes under \$30,000. “In 2018, Black households constituted 14 percent of all households with children, but 22 percent of those with income below \$55,000 (around the maximum adjusted gross income to qualify for the EITC)...Overall, White households are the largest share of EITC recipients (because they constitute a majority of the working population), but women of color in particular are disproportionately likely to benefit from the credit.” [Urban Institute, “Racial Disparities and the Income Tax System,” <https://apps.urban.org/features/race-and-taxes/#earned-income-tax-credit>.]

### Summary of Households with Children

By race or ethnicity, 2018



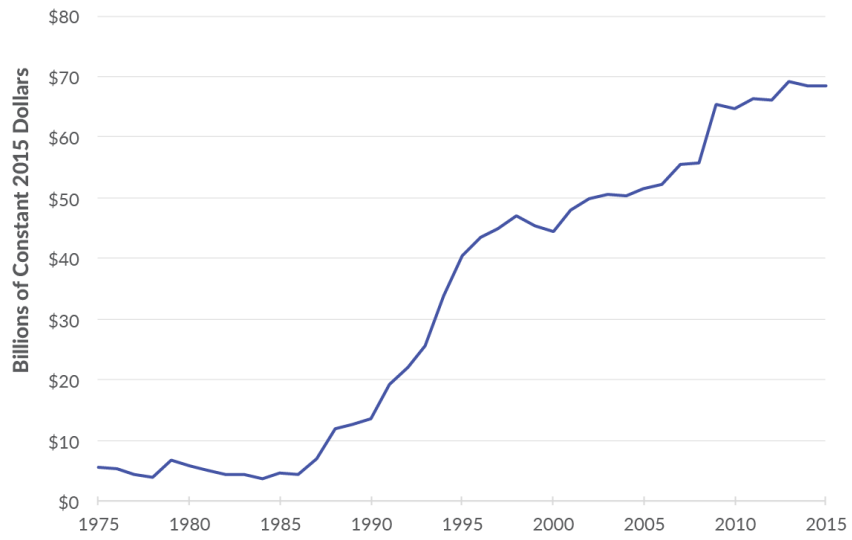
**Source:** US Census Bureau, Current Population Survey, 2019 Annual Social and Economic Supplement, Table HINC-04: Presence of Children Under 18-Year-Old-Households, by Total Money Income in 2018, September 2019.

**Notes:** According to the US Department of Health and Human Services, the 2019 federal poverty level for a five-person household in any of the 48 contiguous states and the District of Columbia is \$30,170. According to the Internal Revenue Service, the earned income tax credit threshold for maximum adjusted gross income for joint filers with three qualifying children is \$55,952 for 2019.

- “21 percent of Black women receive the EITC, more than double the 9 percent share of white women who receive it. Women of color also tend to receive a larger average EITC than white women.” The average EITC benefit for White, non-Latina women in 2018 was \$1,600 whereas it was \$2,200 for Black, non-Latina women. [Marr and Huang, “Women of Color Especially Benefit From Working Family Tax Credits,” Center on Budget and Policy Priorities, September 9, 2019, <https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits>.]
- Maggie R. Jones has estimated that the take-up rate for the EITC was greater for those who are Black alone than for those who are White alone: 76.85% versus 78.29% in 2005 and 77.76% versus 81.91% in 2009. [Jones, “Changes in EITC Eligibility and Participation, 2005-2009,” CARRA Working Paper Series #2014-04 (Washington, D.C.: Center for Administrative Records Research and Applications, July 11, 2014), <https://www.census.gov/content/dam/Census/library/working-papers/2014/adrm/carra-wp-2014-04.pdf>.]
- Spending on the EITC has been increasing over time. [Robert Bellafiore, “The Earned Income Tax Credit (EITC): A Primer,” Tax Foundation, May 21, 2019, <https://taxfoundation.org/earned-income-tax-credit-eitc/>.]

## The EITC has Grown Over Time

Total Cost of the EITC, 1975-2015



Source: Gene Falk and Margot L. Crandall-Hollick, "The Earned Income Tax Credit (EITC): An Overview."

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## Appendix C

### Differential Tax Treatment Based on Race, Ethnicity or Gender

#### *Australia*

“Types of income.” Australian Government: Australian Taxation Office, accessed April 2021.

<https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Tax-for-individuals/Your-income-and-deductions/Types-of-income/#:~:text=Aboriginal%20and%20Torres%20Strait%20Islander%20people%20and%20Indigenous%20holding%20entities,native%20title%20payments%20or%20benefits.>

- “Aboriginal and Torres Strait Islander people and Indigenous holding entities do not need to pay income tax or capital gains tax on native title payments or benefits.”

“Receiving native title benefits – what it means for your tax obligations.” Australian Government: Australian Taxation Office, accessed April 2021. <https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/In-detail/Receiving-native-title-benefits--what-it-means-for-your-tax-obligations/>.

- “On 28 June 2013, Parliament passed laws that affect you if you are an Aboriginal or Torres Strait Islander person or an Indigenous holding entity and you receive a native title benefit. The new law says certain payments or non-cash benefits you receive in relation to your native title rights are not subject to tax, including capital gains tax. These laws apply retrospectively to cover native title benefits received from 1 July 2008.”
- “These changes mean that: native title benefits are now considered non-assessable non-exempt (NANE) income and are therefore not subject to income tax (however, income earned from investing a native title benefit is assessable as income); any capital gains or losses made from transferring native title rights to an Indigenous holding entity or Indigenous person are disregarded; any capital gains or losses made from surrendering or cancelling native title rights are disregarded.”

“What is native title?” Kimberly Land Council, accessed April 2021. <https://www.klc.org.au/what-is-native-title.>

- “Native title is the recognition that Aboriginal and Torres Strait Islander people have rights and interests to land and waters according to their traditional law and customs as set out in Australian Law. Native Title is governed by the Native Title Act 1993 (Cth). Native title was introduced into law as a result of the historic Mabo decision in which the High Court ruled that Australia was not terra nullius - a land belonging to no-one - at the time of European colonisation. This decision recognised Aboriginal and Torres Strait Islanders as being Australia’s first people and that their rights and interests in the land and waters continued to exist despite settlement. Native title may include rights and interests to: live on the area and erect shelters and structure; access the area for traditional purposes, like camping or for ceremonies; visit and protect important places and sites[,] hunt, fish and gather food or traditional resources like bush medicines, water, ochre and wood; teach law, custom and engage in cultural activities.”

#### *Canada*

“Information on the tax exemption under section 87 of the Indian Act.” Government of Canada, accessed April 2021.

<https://www.canada.ca/en/revenue-agency/services/indigenous-peoples/information-indians.html>.

- “As an Indian, you are subject to the same tax rules as other Canadian residents unless your income is eligible for the tax exemption under section 87 of the Indian Act. That exemption applies to the income of an Indian that is earned on a reserve or that is considered to be earned on a reserve, as well as to goods bought on, or delivered to, a reserve.”
- “If you have personal property—including income—situated on a reserve, that property is exempt from tax under section 87 of the Indian Act.”

#### *United States*

“Frequently Asked Questions.” U.S. Department of the Interior: Indian Affairs, accessed April 2021.

<https://www.bia.gov/frequently-asked-questions.>

- “Do American Indians and Alaska Natives pay taxes? Yes. They pay the same taxes as other citizens with the following exceptions: Federal income taxes are not levied on income from trust lands held for them by the U.S.;

State income taxes are not paid on income earned on a federal Indian reservation; State sales taxes are not paid by Indians on transactions made on a federal Indian reservation; Local property taxes are not paid on reservation or trust land.”

“ITG FAQ #4 Answer-What are the tax implications of being a federally recognized tribe?” IRS, accessed April 2021. <https://www.irs.gov/government-entities/indian-tribal-governments/itg-faq-4-answer-what-are-the-tax-implications-of-being-a-federally-recognized-tribe>.

- “Federally recognized tribes are sovereign legal entities, similar to state governments. They have all the rights and attributes of a sovereign entity such as a state. They have a constitutionally guaranteed status as sovereign entities. They are not subject to tax based on this. Federally recognized tribal governments are a unique set of entities in the United States in this respect. Revenue Ruling 67-284 states that an Indian tribe, as an income producing entity, is not subject to income taxation. However, income earned, if not otherwise exempt from income taxation, would be included in the gross income of the Indian tribal member when distributed or constructively received by the tribal member. Examples of income that aren’t taxable to Indian tribal members include payments made under certain general welfare programs and payments exempt under the Per Capita Act.”

### **India**

“What are the income tax exemptions and other monetary benefits available to women?” The Economic Times, last updated March 4, 2021. <https://economictimes.indiatimes.com/wealth/tax/what-are-the-income-tax-exemptions-and-other-monetary-benefits-available-to-women/articleshow/74666372.cms>.

- “Up until Financial Year (FY) 2011-12, women and men had different income tax slabs with women having to pay slightly less tax. However, from FY 2012-13, this was done away with and tax slabs for men and women were made the same. Therefore, currently there are no income tax exemptions specifically for women.”

Chakraborty, Pinaki, Chakraborty, Lekha, Karmakar, Krishanu and Shashi M. Kapila. “Gender equality and taxation in India: An unequal burden?” In *Taxation and Gender Equity: A comparative analysis of direct and indirect taxes in developing and developed countries*, edited by Caren Grown and Imraan Valodia. London: Routledge, 2010.

- “In 2008-09, the income tax threshold was increased from Rs. 110,000 (US\$2,733, based on an exchange rate of 40.24 Rs. = 1 US(\$)) to Rs. 150,000 and from Rs. 145,000 to Rs. 180,000 for women income earners. For both males and females over 65, it is even higher, at Rs. 225,000. It is important to note that India is one of the few countries, and the only one in this volume, where the tax system provides such positive discrimination for women. Until 2001, the tax rates on individuals, both men and women, were the same. In 2001, women were given a special rebate up to Rs. 5,000 against taxes payable, unless they were above 65, in which case they received the senior citizen rebate of Rs. 20,000. In 2005, the minimum non-taxable income was raised to Rs. 125,000 for women taxpayers as against the general threshold of Rs. 100,000. In 2005, the tax exemption limit for women was raised to Rs. 1,35,000, while the Rs. 5,000 tax rebate was discontinued and in 2007, this limit was raised to Rs. 1,45,000.”
- “Although the Indian tax system positively discriminates by gender due to the higher tax threshold for women, the effectiveness of such a policy is limited as the number of women within the income tax net is a miniscule proportion of the total number of income taxpayers and an even more miniscule proportion of the total number of adult women in India. Currently, the total number of individual taxpayers is about 27 million out of a total population of about 1 billion, so approximately 2.7 per cent of the population falls within the income tax net...Women likely constitute less than 3 per cent of this small number...In other words, the use of income tax as a means to further gender equality seems limited.”

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Auten, Gerald and David Splinter. "Top 1 Percent Income Shares: Comparing Estimates Using Tax Data." *AEA Papers and Proceedings* 109, (May 2019): 307-311.

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## Examples of Differential Tax Treatment Based on Race, Ethnicity, or Gender

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