
BY SANDRA MORGEN

Why have we become a nation of reluctant taxpayers? In recent decades we seem to have lost track of one responsibility of citizenship—our collective obligation to do our part to sustain a vibrant public sector, infrastructure, and critical public services. Certainly the drumbeat of anti-tax messages has played a role. And it’s difficult to be “tax literate” given the obscurity of the U.S. tax code and the misleading information we get from anti-tax advocates. We’re repeatedly told that “somebody else” is benefiting from tax revenue, while the rest of us get squeezed. What are the facts? Who is bearing the brunt of the nation’s tax obligation, and why? What does this mean for women?

Not that long ago, in the middle decades of the past century, U.S. tax policies not only helped the economy thrive, but also nourished a growing middle class while supporting a minimal safety net for the nation’s economically disadvantaged. Tax revenues were at work for all of us. What happened? For one thing, the rich weren’t getting richer fast enough. So, beginning with Ronald Reagan’s “trickle down” strategies in the 1980s, tax policies made a significant U-turn. Thirty years later a major change, and one rarely discussed in public tax debates, is that a greater responsibility for paying taxes has been transferred away from the wealthy and onto the shoulders of middle- and lower-income families.

Many mid-income people are feeling a financial squeeze. They’re squeezed because they’re paying a higher proportion of overall taxes than they used to and because wages and salaries for many working families have declined or stagnated relative to the cost of living. Women in particular are socked financially because so many of us are in the lower or middle levels of the economic strata. And where is tax revenue going? U.S. citizens are watching as public schools and colleges are starved, roads and other infrastructure go unrepaired, and financial aid for higher education dries up. The myth is that low-income wage earners, including many women and single mothers, are raking in the tax revenue, but that’s simply not the case. Our current tax system favors the wealthiest one-fifth and especially the top five percent of wage earners and the tax breaks available to the wealthy (and to a lesser degree to middle class families) account for more dollars lost to the U.S. Treasury than we spend to help those who have the least.

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The story is complex, but one important aspect is the shift from taxing wealth to taxing wages. For instance, in the 1970s, capital gains were taxed at a rate of 39 percent, but in the late 1980s, Congress slashed the capital gains rate to 20 percent; in 2003, the rate was reduced to 15 percent. Just this month, President George W. Bush signed a bill extending that 15 percent ceiling on capital gains until 2010. Who does this benefit? For the most part, the wealthiest taxpayers, who derive half of their income from the sale of assets.

In addition, instead of being taxed according to an individual’s tax bracket, dividends, too, are taxed at a flat 15 percent as established under the 2003 cuts—part of a thirty-year downward trend. The top rate on dividends has dropped by 79 percent in those three decades, benefiting those with incomes over $1 million (the top 0.2 percent of tax filers), who collect 20 percent of all dividend earnings.

And then there’s the estate tax. In 2001, the top marginal rate was cut to 45 percent, which substantially raised the amount of wealth exempted from estate taxes. That year only two percent of estates were subject to federal taxes despite the fact that half of all wealth in this country is inherited, with a disproportionate share enjoyed by white men.

While capital gains, dividend, and estate taxes have hit the chopping block time and time again—benefiting mostly the wealthy—payroll taxes, which come out of every working person’s paycheck, have not been cut. The New York Times recently reported that more than 70 percent of tax savings from 2001–3 Bush tax cuts went to the top 2 percent of the national income scale. Meanwhile, as federal monies to the states get cut, there is pressure on states to raise taxes, which tend to be more regressive in structure than federal taxes. Where does that leave the rest of us? Scrambling to make enough money to both live and pay our taxes. And standing by while public services that taxes have long supported, including schools, child care, health care, and food programs, are slashed.

Our current system of taxation leaves low-income families struggling and middle-income families left out of the big savings, especially from the 2001, 2003, and pending tax cuts. Most of us are waiting in futility for this administration’s “healthier economy” to trickle down. That wait likely will be long, for the “trickle down” is actually trickling “up,” and is poised to keep going that way unless we demand real change.

Information condensed from Taxes Are a Woman’s Issue by Mimi Abramovitz and Sandra Morgen.