The Tax Code’s Achilles’ Heel Is Surprisingly Popular — And That’s a Problem for Taxing the Rich

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Jeff Bezos’s wealth increased by $99 billion from 2014-2018. New reporting from ProPublica shows that he paid less than 1 percent of that in income taxes. Our research shows that, although people don’t like the rich paying so little in tax, the tax provision that lets this happen is overwhelmingly popular. That’s a problem.

The key provision is the “realization rule.” Bezos hasn’t sold – and thus “realized” the phenomenal gains on – the great majority of his Amazon shares, so he’s not taxed. This story is common among the richest Americans and, when this effect is multiplied across the U.S. economy, trillions of dollars of capital income go untaxed for years or escape taxation altogether. This makes it the income tax’s “Achilles’ heel.”