Spring 2016

Obstacles to Tax Reform: Income Definition and Capital Gains Taxation

Nicholas Santosuosso
Merrimack College, santosuosson@merrimack.edu

Nicholas L. Santosuosso

Public Finance

Fall 2015

Dr. Anthony J. Laramie

Obstacles to Tax Reform: Income Definition and Capital Gains Taxation

I. Introduction

The Great Recession of 2007-2009 sparked widespread economic anxiety among the American public while setting the tone for the debate over economic policy to capture center stage in the 2012 Presidential election cycle. Concern over growing budget deficits and wealth concentration in the wake of the Recession caused much of this attention to shift onto the fiscal policy of the United States. Public dissatisfaction with the federal income tax code remains pervasive today, and 72 percent of Americans believe that the tax system needs either a major or complete overhaul, according to Pew Research Center (Doherty 2013). Support for such drastic tax reform is up from 46 percent in 2005 and dispersed across partisan and demographic groups.

Although the majority of Americans favor some sort of tax reform, there is no consensus as to what direction or form such efforts should take. Surprisingly, only 11 percent of Americans report being most concerned about their own personal taxes being too high. Even when sampling is limited to those earning incomes over $100,000, just 17 percent cite personal tax burdens as the driving factor behind their support of tax reform. Instead, the debate over tax policy appears to be deeply rooted within individual perceptions of government: while 57 percent of respondents pointed to the prevalence of special loopholes and gimmicks for the wealthy as their primary concern, another 28 percent were most bothered by the exceeding

complexity of the tax code. These two foremost concerns have been construed as implicating divergent roles for the federal government, with the former inviting government to take on a larger role in the form of redistributive taxation and the latter emphasizing a reduction of government's role in economic policy as a precursor to simplifying the tax code (Doherty 2013). Contrasting perceptions of the goals of taxation and the regulatory implications that follow have resulted in legislative gridlock that precludes the passage of a comprehensive tax reform bill.

The taxation of capital gains features prominently in the debate over tax reform, as the treatment of capital income simultaneously implicates questions of fairness and complexity in the tax code. Capital gains receive preferential treatment in the form of relatively lower tax rates under current U.S. law, a practice that primarily benefits the wealthy, who are more likely to hold large portfolios of capital assets. Many wealthy investors realize a significant portion of their annual earnings as capital gains, causing their overall tax rates to be lower than those facing middle class Americans, whose incomes are often comprised entirely of wages. While the preferential tax treatment of capital gains is not entirely without justification, for reasons we shall discuss herein, the sentiment that the wealthy do not pay their fair share of taxes is broadly held among the American public. This discontent was manifested into policy by the Obama Administration through proposal of the so-called "Buffet Rule," intended to ensure that taxpayers earning over $1 million pay at least 30 percent of their yearly income in federal taxes, regardless of whether the income is earned as salary or capital gains (Brundage 2012).

II. Defining Income for Tax Purposes

Thus far this paper has used the term *income* in the colloquial sense; however, analysis of the taxation of capital gains requires us to first identify a workable definition of income, with

which the present statutory treatment of capital gains, as well as proposed changes, can be juxtaposed. The most widely referenced definition of income among Public Finance economists is the Haig-Simons comprehensive definition, which measures the change in an individual's power to consume during the year (Gruber 2005, pg. 498). Specifically, the Haig-Simons definition considers an individual's income to be the sum of wages, salaries, privately earned profits, dividends and interest receipts, transfer payments and employee benefits, gifts or inheritances received, the value of free or subsidized services consumed and the net increase in the real value of assets. The last item is of particular importance because it calls for capital gains to be taxed each year as they accrue, instead of being taxed once when capital assets are sold, as current U.S. law provides. Furthermore, the Haig-Simons definition taxes appreciation of capital assets adjusted for inflation, unlike the U.S. tax code. These discrepancies represent the most substantial deviation away from the Haig-Simons definition in the taxation of capital gains, leading to both practical complications and efficiency implications in the enforcement of the tax.

The practice of levying taxes on the real increase in value of capital assets is derived from the basic concept of income endorsed by Haig-Simons: annual income is the value of what a taxpayer *could* afford to consume in a given year, while holding wealth constant. This principle is best illustrated through an example. Suppose that at the beginning of the year Sally owns $100 worth of corporate stock, which appreciates in value to $250 by the end of the year. During the same time period, she earns a salary of $1,000 working at her full-time job, in addition to receiving health insurance benefits worth $500 from her employer. Of her $1,000 salary, $700 is spent consuming goods and services throughout the course of the year, and the remaining $300 is invested in U.S. Treasury bonds. Sally's taxable income under the Haig-Simons definition would be $1,650, consisting of $1,000 in salary, $150 in accrued capital gains and $500 in

employer provided health benefits. The value of her portfolio's appreciation is included in her taxable income, because she could conceivably sell 60 percent of her stock holdings at the end of the year and still maintain the $100 in wealth she started the year with. Similarly, if Sally had seen her stock depreciate in value, she would be able to deduct the full amount of the year's capital losses from her taxable income (*Ibid.*). This is unlike the American system, which places limits the deductibility of capital losses to prevent tax avoidance through deceptive write-offs.

Under the Haig-Simons definition, taxable income is equated to *potential* consumption, as opposed to actual consumption, and as a result this system of taxation is often viewed as providing a measure of an individual's *ability-to-pay*. When evaluated under horizontal and vertical equity criteria, the inclusion of previously nontaxed earnings under Haig-Simons appears to improve tax fairness, a feature valued highly by many Americans. If two taxpayers earn equal salaries, but only one of them receives additional health benefits, then including those benefits in the definition of taxable income increases the taxable income and eventual tax burden of the recipient. This modification improves vertical equity, because the taxpayer who receives health benefits on top of his salary, and is thus better off in real terms, indeed pays higher taxes. If, on the other hand, two taxpayers receive an equal dollar amount of compensation from their employer, but one of them receives half of her total compensation in the form of health benefits, then the elimination of tax exempt status for health benefits imposes identical tax burdens on taxpayers in identical circumstances. This feature improves the horizontal equity of taxation, because taxpayers with equal welfare from earning income pay identical taxes, regardless of the income's composition (*Ibid.*).

The Haig-Simons definition of taxable income is not foolproof, however, as there are circumstances which engender disconnects between one's potential to consume goods and one's

ability to pay taxes. When two taxpayers earn identical incomes, regardless of the nature or amount of actual consumption, Haig-Simons levies identical tax burdens upon each of them because the circumstances facing the two citizens appear identical. However, in the event that a citizen is forced to spend half his income repairing fire damage in his home, his tax burden will be the same as if he had spent half of his income buying a boat. Thus, while it may be administratively expedient to lump all of a taxpayer's consumption, savings and asset appreciation into the tax base, potential consumption is an unreliable proxy for taxpayer welfare. Moreover, the taxation of inflation adjusted capital gains on accrual would require taxpayers to have their capital assets valuated annually. While this may be a fairly straightforward process with corporate stocks, whose value is constantly updated and readily available, being required to obtain and submit an expert's opinion on the value of a rare painting every year would introduce another layer of complexity and administrative difficulty into the tax code. Taxpayers may even be forced to sell inherited capital assets, such as a vacation property, in order to meet their annual tax obligations if capital gains are taxed on accrual.

In addition to concerns of fairness at the individual level and complexity at the administrative level, many economists cite more far-reaching economic implications to rationalize statutory deviations from the Haig-Simons concept of taxable income. Fisher (1937), for example, argues that the best measure of income for tax purposes is actual consumption, and that capital gains should be tax exempt to avoid double taxation. Fisher reasons that since income earned in a given time period is either consumed during that same period or saved and consumed later, a tax levied on consumption will ultimately reach all of an individual's income while adhering to the criteria for lifetime horizontal equity. This is because capital gains represent a present accounting for growth in a future stream of income, so taxing capital income

once upon realization and again upon consumption carries the potential to impose inconsistent tax burdens on citizens with identical lifetime incomes, depending on their savings preferences. To illustrate this inherent ambiguity in the tax code, Fisher presents an example of three brothers each inheriting a $100,000 fortune, but investing it differently. Fisher shows that although each brother's inheritance is invested at five percent and taxed at one percent, the capital gains tax over-taxes long-term savings and under-taxes immediate consumption, reducing the inventive to save and potentially undermining the neoclassical engine of growth (Fisher 1937, pg. 48). Although Fisher's proposed consumption tax is at odds both with the Haig-Simons definition of income and the actual tax system employed by the United States, he does concede that taxation of capital gains would run less afoul of horizontal equity principles if capital income was taxed on accrual, as is the case under a pure Haig-Simons system (*Ibid.*).

III. Historical Treatment of Capital Gains

In practice, taxation of capital gains has long walked a middle ground between the works of Irving Fisher and the conceptual definition of income promoted by Robert Haig and Henry Simons. Although capital gains are included in the base of taxable income à la Haig-Simons, capital gains have historically received preferential tax treatment which reduces the tax liability of capital income relative to ordinary income. In this section, we discuss the current state of capital gains taxation while providing the tax code with historical context. The paper then proceeds to a discussion of the arguments in favor of special tax treatment for capital gains.

An investor experiences a capital gain when a capital asset is sold for a price greater than that which the investor paid for it (referred to as its "basis"). Capital assets are pieces of property that act as a store of value, ranging from corporate stock and privately owned

businesses to land, art and collectibles (Burman and Rosenberg). Under current U.S. law, owners of capital assets pay no tax while maintaining ownership rights over the property, and the total appreciation in the value of the asset is taxed when the asset is sold. As a result, citizens can legally avoid paying taxes on appreciated capital assets by simply choosing not to sell them. This creates a lock-in effect where capital becomes illiquid and the flow of capital throughout the economy slows down. Mitigating this lock-in effect is one argument for taxing capital gains at lower rates than ordinary income, assuming that gains are to be taxes upon realization (Auten and Cordes, pg. 10).

Ratification of the 16th Amendment to the Constitution granted Congress the authority to levy an income tax on the general public, and the Revenue Act of 1913 provided the legislative means through which Congress could exercise this new power. The Revenue Act provides that, in addition to including standard items like wages, salaries and the like, "the net income of a taxable person shall include...gains or profits and income derived from any source whatever" (Revenue Act of 1913, pg. 167). Pursuant to this statutory definition, capital gains were taxed at the same rate as ordinary income from 1913 to 1921, until concerns over tax revenues falling in response to the rate hikes of World War I induced lawmakers to institute preferential tax treatment for capital income (Auten pg. 58). The extent of this preferred treatment was initially to allow wealthy taxpayers to select an alternate 12.5 percent rate on assets held for longer than two years. Then, in 1934, special treatment of capital gains intensified as Congress allowed taxpayers to exclude from their taxable income a portion of capital gains commensurate with the length of an asset's holding period. Exclusion rates ranged from 20 percent on assets held for one year to 70 percent on assets held for 10 or more years, until 1942, when Congress simplified this rate structure by allowing taxpayers to exclude half of capital gains on assets held for more

than six months. Congress experimented with different minimum rates and exclusion allowances for the next 35 years, causing the maximum real tax rate on capital gains to fluctuate between 40 and 50 percent (*Ibid.*). Exclusion rates settled at 60 percent and remained there between 1978 and 1986, with the remaining 40 percent of long-term capital gains subject to ordinary tax rates. Some economists argue that this is a much simpler mechanism for conveying tax preference to capital gains.

The Tax Reform Act of 1986 eliminated the tax preference to capital gains, as taxpayers were no longer able to exclude portions of capital gains from taxable income. Under the new tax laws, 100 percent of capital gains were subject to taxation, and at the same 28 percent rate as ordinary income. Preferred treatment of capital gains was restored in 1993, as the top marginal tax rate on ordinary income was increased to 39 percent, while the capital gains rate was cut to 20 percent. Under the Bush administration the top capital gains rate was further cut to 15 percent, though this provision expired in 2013. As of 2015, the top tax rate on the long-term capital income of wealthy taxpayers stands at 20 percent, while a rate of 15 percent is assessed to taxpayers whose ordinary income ranges between $37,450 and $413,200 (Spiegelman 2015). Taxpayers with ordinary incomes below this specified interval pay no taxes on capital gains.

IV. Arguments for Preferential Tax Treatment

Assuming that capital gains ought to be included in taxable income, as is the case under both the Haig-Simons definition and current U.S. tax law, the question of *how* capital gains should be taxed arises. As mentioned previously, capital gains have received favorable tax treatment throughout much of the nation's history with an income tax. Proponents of imposing relatively lower tax rates on capital income frequently advance four arguments in justification.

First, the fact that capital gains are taxed upon realization creates a lock-in effect that distorts the flow of capital in financial markets. Second, taxation of capital gains on a nominal basis punishes investors for inflation and diminishes the real value of capital returns. Third, capital gains taxation discourages investment and entrepreneurship, inhibiting economic growth. Fourth, taxing capital gains results in the double taxation of expected future income, while altering the incentive to save, creating an efficiency loss. We will address each of these arguments in turn, as well as some common objections to these arguments made by opponents of giving preferential tax treatment to capital gains (Gruber 2005, pg. 641).

The lock-in effect of capital gains taxation follows as a direct consequence from a deviation in the U.S. tax code away from the Haig-Simons definition of taxable income. Recall that taxes on capital gains would be collected annually under a pure Haig-Simons tax, based on the change in the real assessment value of the taxpayer's capital assets over the previous year. As highlighted previously, such a taxation scheme would be difficult to enforce given the number and frequency of asset valuations that would need to be performed. Thus, the United States has always taxed capital gains upon realization, with markets dictating both the sale price and the nominal amount of the gain. Owners of capital assets can therefore easily avoid paying taxes by simply choosing not to sell assets. Even when the taxpayer dies, the accumulated growth in his or her capital assets will in effect not be taxed, since the inheritor's basis price on an asset is "stepped-up" to be equal to the market price on the day of the inheritance.

For example, suppose that Bill buys stock in a company in 1960 for $10 per share. By the time Bill passes on in 2015, the company's stock has ballooned in value to $1,000 per share. Bill's daughter, Maria, inherits the stock and sells her late father's shares the next day for $1,000 each. Mario pays no capital gains tax on the capital assets originally owned by Bill, because her

basis price is considered to be the going price of $1,000 per share in 2015, when she acquired the asset. If Maria had waited one year to sell her father's stock, at which time the company was valued at $1,050 per share, then she would pay taxes on the $50 per share increase over her stepped-up basis. But the government misses out on the opportunity to collect capital gains taxes on the increase in value from 1960 to 2015, since the tax can be indefinitely avoided by the original owner as long as the asset is held. Proponents of keeping the capital gains tax rate low argue that relatively high rates on capital gains exacerbate this lock-in effect and cost the government significant amounts of revenue from capital income[1]. In addition to falling tax revenues from capital gains, the lock-in effect can also dissuade investors from liquidating less productive assets and reinvesting the funds into more productive assets, reducing the flow of capital throughout the economy and slowing economic growth (Gruber 2005 pg. 641).

A second major tax implication that follows directly from deviations away from the Haig-Simons definition of income is that capital gains are currently taxed on a nominal basis. In other words, the tax payed by an investor on a capital asset does not allow the taxpayer to deduct from his or her taxable gain the illusory appreciation caused by increases in the overall price level. Let us consider this issue through another example. Suppose that Bill's childhood friend Alfred also buys stock for $10 per share in 1960, but in a different company. Alfred's investment does not perform quite as well as Bill's, rising in value to just $20 per share by 2015 as compared to Bill's $1,000 stock. Although his investment has doubled in nominal terms, the overall price level throughout the economy has certainly more than doubled; meaning that the money Alfred spent buying the shares in 1960 was worth more in terms of purchasing power

[1] U.S. Treasury data on realized capital gains, tax receipts and average effective tax rates is included as an appendix to this paper. These data appear to show that investors temporarily realize more capital gains in the years directly following a reduction in capital gains tax rates.

than the money he would receive from selling his shares in 2015. Under current U.S. law, Alfred would still be required to pay taxes on his "gains", even though his assets have actually lost value (Gruber 2005 pg. 641). Some economists argue that tax rates on capital gains should be kept low because a large portion of capital gains is attributable to inflation. On the other hand, it would be more simple and direct to adjust capital gains for inflation using the Consumer Price Index, which would bring the U.S. system closer in line with the principles of Haig-Simons. Nonetheless, opponents of giving special treatment to capital gains point out that other sources of income such as interest payments from bonds are more sensitive to inflation risk than capital gains, yet are still taxed on a nominal basis. Giving taxpayers advantageous treatment for certain types of financial investments may distort the flow of savings and direct capital towards riskier investments like corporate stock, while encouraging fraudulent tax filing to exploit lower rates.

Supply-Side economists argue that taxation of capital gains reduces the incentive to invest and take risks, leading to reduced capital formation and slower economic growth. Intuitively, it may seem reasonable that this disincentive could be lessened by lowering tax rates, since investors will have to hedge a smaller portion of their expected return against taxes. This is similar to the process by which a lender hedges herself against inflation, where the real rate of interest can be decomposed into the desired rate of interest plus the expected rate of inflation. In order to achieve a desired rate of return on the ownership of a capital asset, the investor must account for the expected amount of a capital gains tax. An investment that is expected to generate a seven percent return over 10 years may not be as profitable when inflation and capital gains taxes are accounted for, and the investor will be required to either seek out assets with higher expected returns or accept a smaller payout. Both scenarios limit the number of acceptable transactions available to the investor, potentially restricting the flow of capital as

investors stay "locked-in" holding relatively less productive assets (Auten and Cordes, pg. 10).

Taxation of certain capital assets can also be said to constitute the double taxation of business profits, and several prominent tax reform proposals call for total elimination of individual capital gains taxes in order to prevent tax evasion and ameliorate losses in efficiency. Consider for example the set of reform plans broadly known as the "flat tax," originally conceived by Milton Friedman and formalized by Robert Hall and Alvin Rabushka. Under a Hall-Rabushka flat tax, personal income earned from wages and salaries is broadly taxed at a single "flat" rate, while capital gains are implicitly taxed as a component of business profits. The intent of this proposal is to extract taxes from business profits before they are paid out to investors as capital income. In this case, the argument for ending double taxation relies on the assumption that privately owned shares in a company appreciate in response to an increase in expected future profits. Since stock prices are in large part determined by dividend payouts, which are themselves dependent on business profits, taxing capital gains earned from the sale of corporate stock targets the same stream of expected future income as the taxes levied directly on business profits. Hall and Rabushka (1983) argues that taxing these gains at the corporate level, instead of at the individual level, provides fewer opportunities for "leakages" in the tax base, improving compliance and increasing federal revenues (Hall and Rabushka pg. 14).

Cries of double taxation as justification for taxing capital gains at lower rates appear most relevant to income earned from the sale corporate stocks, which occasionally has already been subject to taxation at the corporate level. However, the capital gains tax encompasses a much wider variety of assets than the sort considered in Hall and Rabushka (1983), and it is more difficult to make the case that paying taxes on the sale of antiques or art also represents a form of double taxation. Furthermore, the Tax Policy Center estimates that roughly half of all corporate

profits are never taxed at the corporate level due to exemptions and loopholes, which implies that taxing capital gains at a lower rate may only offset corporate taxation in a minority of cases (Burman and Rosenberg, pg. 7). As to whether capital gains taxation inhibits economic growth, Cassou and Lansing (2003) predicts that tax reform plans which eliminate the double taxation of capital income may not be beneficial to the economy, because higher tax rates elsewhere will be required to make up for the lost government revenue. These findings call into question the efficiency arguments against double taxation, while undermining the case for allowing capital gains to receive special treatment under tax laws.

V. Who Benefits from Lower Capital Gains Taxes?

Opponents of allowing preferential tax treatment for capital gains point out that the taxation of capital gains is highly progressive, and that any attempt to reduce the tax liabilities of citizens reporting capital income typically results in windfall gains for the wealthiest Americans. Examination of tax data for recent years appears to corroborate this claim, as the Tax Policy Center reports that taxpayers earning over $200,000 per year enjoyed 94 percent of the benefits derived from taxing capital gains at a lower rate than ordinary income. This concentration of gains is even more heavily concentrated at the extreme top of the distribution, as three-quarters of the gains reported by the Tax Policy Center went to taxpayers with incomes over $1 million (Burman and Rosenberg, pg. 8). The 2013 Economic Report to the President notes that 41 percent of all capital gains realized during the year were claimed by the richest 0.1 percent of taxpayers (Krueger, Abraham and Stock).

Although it is clear that the wealthiest Americans own the lion's share of capital assets and earn the vast majority of capital gains, improving progressivity in the taxation of capital

gains is not as simple as ensuring that taxes rates are kept reasonably high. The unusual circumstances of capital gains taxation prevents policymakers from relying on rate increases as a means of generating more revenues, because capital gains taxes are so easily avoided. While there is evidence to suggest that capital gains realization, and perhaps government revenue, increases in response to a reduction in tax rates, these benefits appear to be only temporary and to disproportionately accrue to the wealthy. It is indeed surprising that most of the recent debate surrounding capital gains taxation has concerned the alteration of tax rates and the tweaking of certain exemptions, as opposed to overhauling the entire structure of tax assessment and collection (Auerbach 1983). Yet, for all the redistributive woes of the current tax code, there does not appear to be a single set of satisfactory policy solutions. Moving the U.S. tax code closer in line with the Haig-Simons definition of income may improve horizontal and vertical equity, but such a shift would introduce massive administrative costs. A viable solution may be to transition into an accrued taxation system for those capital assets whose values are constantly updated and readily available, such as corporate stocks, although the overall effects of this change are uncertain. If there is one thing that the current tax treatment of capital gains should teach American lawmakers, it is that carving out preferential treatment for certain classes of financial assets and instruments opens up a Pandora's Box of incentives and distortions that creates new and complicated policy problems.

VI. Appendix (source: Department of the Treasury, Office of Tax Analysis)

Capital Gains and Taxes Paid on Capital Gains
(dollar amounts in millions)

Returns with Positive Net Capital Gains, 1954-2009 [1]

Year	Total Realized Capital Gains	Taxes Paid on Capital Gains	Average Effective Tax Rate (percent)	Realized Gains as a Percent of GDP	Maximum Tax Rate on Long-Term Gains
1954	7,157	1,010	14.1	1.88	25.00
1955	9,881	1,465	14.8	2.38	25.00
1956	9,683	1,402	14.5	2.21	25.00
1957	8,110	1,115	13.7	1.76	25.00
1958	9,440	1,309	13.9	2.02	25.00
1959	13,137	1,920	14.6	2.59	25.00
1960	11,747	1,687	14.4	2.23	25.00
1961	16,001	2,481	15.5	2.94	25.00
1962	13,451	1,954	14.5	2.30	25.00
1963	14,579	2,143	14.7	2.36	25.00
1964	17,431	2,482	14.2	2.63	25.00
1965	21,484	3,003	14.0	2.99	25.00
1966	21,348	2,905	13.6	2.71	25.00
1967	27,535	4,112	14.9	3.31	25.00
1968	35,607	5,943	16.7	3.91	26.90
1969	31,439	5,275	16.8	3.19	27.50
1970	20,848	3,161	15.2	2.01	32.21
1971	28,341	4,350	15.3	2.52	34.25
1972	35,869	5,708	15.9	2.90	36.50
1973	35,757	5,366	15.0	2.59	36.50
1974	30,217	4,253	14.1	2.02	36.50
1975	30,903	4,534	14.7	1.89	36.50
1976	39,492	6,621	16.8	2.16	39.875
1977	45,338	8,232	18.2	2.23	39.875
1978	50,526	9,104	18.0	2.20	39.875/33.85
1979	73,443	11,753	16.0	2.87	28.00
1980	74,132	12,459	16.8	2.66	28.00
1981	80,938	12,852	15.9	2.59	28.00/20.00
1982	90,153	12,900	14.3	2.77	20.00
1983	122,773	18,700	15.2	3.47	20.00
1984	140,500	21,453	15.3	3.57	20.00
1985	171,985	26,460	15.4	4.08	20.00
1986	327,725	52,914	16.1	7.35	20.00
1987	148,449	33,714	22.7	3.13	28.00
1988	162,592	38,866	23.9	3.19	28.00
1989	154,040	35,258	22.9	2.81	28.00
1990	123,783	27,829	22.5	2.13	28.00
1991	111,592	24,903	22.3	1.86	28.93
1992	126,692	28,983	22.9	2.00	28.93
1993	152,259	36,112	23.7	2.28	29.19
1994	152,727	36,243	23.7	2.16	29.19
1995	180,130	44,254	24.6	2.43	29.19
1996	260,696	66,396	25.5	3.33	29.19
1997	364,829	79,305	21.7	4.38	29.19/21.19
1998	455,223	89,069	19.6	5.18	21.19
1999	552,608	111,821	20.2	5.91	21.19
2000	644,285	127,297	19.8	6.47	21.19
2001	349,441	65,668	18.8	3.40	21.17
2002	268,615	49,122	18.3	2.52	21.16
2003	323,306	51,340	15.9	2.90	21.05/16.05
2004	499,154	73,213	14.7	4.21	16.05
2005	690,152	102,174	14.8	5.47	16.05
2006	798,214	117,793	14.8	5.97	15.70
2007	924,164	137,141	14.8	6.59	15.70
2008	497,841	68,791	13.8	3.48	15.35
2009	263,460	36,686	13.9	1.89	15.35

Works Cited

Auerbach, Alan (1989). "Capital Gains Taxation and Tax Reform," in National Tax Journal, Vol. 42 no. 3, pp. 391-401.

Auten, Gerald and Cordes, Joseph (1991) "Policy Watch: Cutting Capital Gains Taxes," in The Journal of Economic Perspectives, Vol. 5 no.1, pp. 181-192.

Auten, Gerald (1999). "Capital Gains Taxation," The Encyclopedia of Taxation and Tax Policy, Joseph J. Cordes, Robert D. Ebel and Jane G. Gravelle (eds.), Urban Institute, retrieved from http://www.urban.org/publications/1000519.html.

Brundage, Amy (2012). "The Buffett Rule: A Basis Principle of Tax Fairness," The White House Report blog, https://www.whitehouse.gov/blog/2012/04/10/white-house-report-buffett-rule-basic-principle-tax-fairness.

Burman, Len and Rosenberg, Carol (2011). "Capital Gains and Dividends," The Tax Policy Briefing Book, Tax Policy Center.

Cassou, Stephen P. and Lansing, Kevin J. (2004). "Growth Effects of Shifting From a Gruadated-Rate Tax System to a Flat Tax," in Economic Inquiry, Vol 42 no. 2.

Doherty, Carroll (2013). "Public Wants Tax Reform. But What Kind of Reform," Pew Research Center, http://www.pewresearch.org/fact-tank/2013/05/22/public-wants-tax-reform-but-what-kind-of-reform/

Fisher, Irving. (1937). "Income in Theory and Income Taxation in Practice," in Econometrica, Vol. 5 no. 1.

Gruber, Jonathan (2005). "Public Finance and Public Policy." Worth Publishers.

Hall, Robert and Rubushka, Alvin. (1983). "Low Tax, Simple Tax, Flat Tax". McGraw-Hill Book Company.

Krueger, Alan, Abraham, Katharine and Stock, James (2013). "Economic Report of the President," Council of Economic Advisors, pp. 91-117. <https://www.whitehouse.gov/administration/eop/cea/economic-report-of-the-President/2013>

Revenue Act of 1913, Section II, B., 38 Stat. 114, 167.

Spiegelman, Rande (2015). "Taxes, What's New for 2015?" Charles Schwab, retrieved from <http://www.schwab.com/public/schwab/nn/articles/Taxes-Whats-New>