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Dear Senator Warren:

We write regarding the *Ultra-Millionaire Tax Act of 2026* that imposes a progressive annual wealth tax on American households with net worth (sum of all assets net of debts) above \$50 million. The tax would be 2% on the net worth above \$50 million with an additional 1% tax on net worth above \$1 billion (the 1% extra tax on billionaires becomes a 4% extra tax if and when a Medicare for All program is enacted). For this scoring, we assume that tax payments would start in 2026 based on wealth as of end of 2025. We estimate that **about 260,000 American families (approximately the top .15%) would be liable for the wealth tax in 2026 and that the tax would raise \$6.17 trillion over the ten-year budget window 2026-2035, of which \$0.74 trillion would come from the billionaire 1% surtax.** The wealth tax would raise approximately 1.7% of GDP per year (\$.514 trillion relative to a \$30.6 trillion GDP in 2025). If the billionaire surtax increases to 4%, total revenue over the 10-year window raises to \$7.95 trillion (up from \$6.17 trillion).

Details on the estimation

Data sources:

The best survey data on the wealth of American households is the Survey of Consumer Finances (SCF) from the Federal Reserve Board. The latest year available for is 2022. Because the SCF excludes by design the Forbes 400 from its sampling, it does not provide an accurate measure of the wealth of billionaires. Therefore, to better capture billionaires' wealth, we supplement the SCF with the Forbes real time billionaire list that provides the most up to date estimates for the wealth of US billionaires.

Methodology:

1) We combine the 2022 Survey of Consumer Finances and the Forbes real-time billionaire list as follows. We first age the 2022 SCF to the end of 2025 using the Distributional Financial Accounts of the Fed. Because the SCF does not sample the Forbes 400

billionaires, we remove billionaires in the SCF and replace them with the Forbes real-time billionaires (as of end of year 2025).

2) Tax avoidance/evasion: recent research shows that the extent of wealth tax evasion/avoidance depends crucially on loopholes and enforcement.¹ The proposed wealth tax has a comprehensive base with no loopholes and strong enforcement through audits and information reporting. Therefore, the avoidance/evasion response is likely to be small. We assume that households subject to the wealth tax are able to reduce their tax liability by 15% through a combination of tax evasion and tax avoidance. This is a large response in light of existing estimates.²

3) Revenue estimates:

a) As of the end of 2025, there are around 260,000 households liable for the wealth tax. This would be about .15% of the 182 million US families in 2025. The tax base above \$50 million would be \$22.6 trillion. A two percent tax on this base would raise \$452 billion (paid in 2026).

b) As of the end of 2025, the billionaire surtax base is estimated at \$6.2 trillion and hence the billionaire surtax of 1% would raise \$62 billion in 2026 from about 900 billionaire families. The higher billionaire surtax of 4% would raise \$248 billion in 2026.

c) The combination of the 2% tax above \$50 million and the billionaire 1% surtax would raise $\$452 + \$62 = \$514$ billion paid in 2026, approximately 1.7% of the 2025 GDP of \$30.6 trillion. With the 4% higher billionaire surtax, revenue in 2026 would be \$700 billion.

d) To project tax revenues over a 10-year horizon, we assume that nominal taxable wealth would grow at the same pace as the economy, at 4% per year as in standard projections of the Congressional Budget Office or the Joint Committee on Taxation. This growth is

¹ See Saez, Emmanuel and Gabriel Zucman "Progressive Wealth Taxation." Brookings Papers on Economic Activity, Fall 2019, 437-511 for a detailed review of the literature.

² Seim, David. 2017. "Behavioral Responses to an Annual Wealth Tax: Evidence from Sweden", *American Economic Journal: Economic Policy*, 9(4), 395-421 and Jakobsen, Kristian, Katrine Jakobsen, Henrik Kleven and Gabriel Zucman. 2018. "Wealth Accumulation and Wealth Taxation: Theory and Evidence from Denmark" NBER working paper No. 24371, obtain small avoidance/evasion responses in the case of Sweden and Denmark in two countries with systematic third party reporting of wealth: a 1% wealth tax reduces reported wealth by less than 1%. Londono-Velez, Juliana and Javier Avila. "Can Wealth Taxation Work in Developing Countries? Quasi-Experimental Evidence from Colombia", UC Berkeley working paper, 2018 show medium size avoidance/evasion responses in the case of Colombia where enforcement is not as strong: a 1% wealth tax reduces reported wealth by about 2-3%. The study for Switzerland, Brülhart, Marius, Jonathan Gruber, Matthias Krapf, and Kurt Schmidheiny. "Taxing Wealth: Evidence from Switzerland," NBER working paper No. 22376, 2016 is an outlier that finds very large responses to wealth taxation in Switzerland: a 1% wealth tax lowers reported wealth by 23-34%. This extremely large estimate is extrapolated from very small variations in wealth tax rates over time and across Swiss cantons and hence is not as compellingly identified as the other estimates based on large variations in the wealth tax rate. Switzerland has no systematic third party reporting of assets which can also make tax evasion responses larger than in Scandinavia. Our 15% tax avoidance/evasion response to a 2% wealth tax is based on the average across these four studies ($2\% \cdot (.5 + .5 + 2.5 + 28.5) / 4 = 16\%$).

decomposed into 2% price inflation, .6% population growth, and 1.4% of real growth per capita. This implies that tax revenue over the 10 years 2026-2035 is 12.0 times the revenue raised in 2026.³ This uniform growth assumption is conservative as the wealth of the rich and especially billionaires has grown substantially faster than average in recent decades. The historical gap in growth rates of top wealth vs. average wealth is larger than the proposed wealth tax. Therefore, even with the wealth tax of 2% and 3% for billionaires, it is most likely that top wealth would continue to grow at least as fast as the economy. However, a 6% tax on billionaires could reduce the growth of billionaire wealth. Therefore, in this scenario, we assume that the billionaire wealth tax base would grow by 3 percentage points less each year than in the 3% tax scenario. As a result, the growth of the billionaire tax base would be only 1% per year (instead of 4% per year) and the 10-year revenue would correspondingly be only 10.17 times the revenue in 2023 (instead of 12 times).

e) Under the 1% billionaire surtax scenario, this 10-year projection implies that revenue raised by the progressive wealth tax with would be $12 \times 514 = \$6.17$ trillion. Out of these \$6.17 trillion, the billionaire 1% surtax would raise \$744 billion. Under the 4% billionaire surtax scenario, the 10-year projection implies that revenue raised by the progressive wealth tax with would be \$7.95 trillion. Out of these \$7.95 trillion, the 4% billionaire surtax would raise \$2.52 trillion.

f) It is important to emphasize that our computations assume that the wealth tax base is comprehensive with no major asset classes exempt from wealth taxation. Introducing exemptions for specific asset classes would reduce the revenue estimates both mechanically and dynamically as wealthy individuals would shift their wealth into tax-exempt assets. Because your proposal does not include any large exemptions, we do not believe our revenue estimate needs to be adjusted.

³ With $r=4.0\%$, we have $[1+(1+r)+\dots+(1+r)^9]=[(1+r)^{10}-1]/r=12.01$.

Sincerely,

Emmanuel Saez and Gabriel Zucman

E. Saez

G. Zucman