

Taxing the Wealthy in DC: A Matter of Racial Justice

A tax system that asks more of DC's wealthiest residents will advance racial equity and prime a strong recovery and future

The pandemic has exposed and widened DC's deep and harmful racial inequities, with Black and brown residents feeling the brunt of the health crisis and economic downturn. This disparate harm results from years of policies and practices that disadvantage Black and brown residents and privilege white residents in employment, education, and wealth building opportunities. To build a just recovery and future, the Mayor and DC Council should create a stronger revenue system that asks the wealthiest residents to pay their fair share.

DC's communities will be stronger if all residents are able to pay rent, feed their families, and contribute to the economy, and if all children get the early start and education they deserve. Unfortunately, systemic racism and economic inequality have left the city's Black and brown communities more vulnerable to the health and economic crisis.

Even Before the Pandemic, DC Residents of Color Needed Adequate Incomes and Housing



White median household income was more than **three times** Black median income and **1.5 times** as large as the Latinx median income in 2019.¹



The average wealth of a white household was **81 times** that of the average Black household, which had under \$4,000 in net assets in 2016.²



11.2% of Black workers were unemployed, compared to just **1.7%** of white workers, at the end of 2019.³

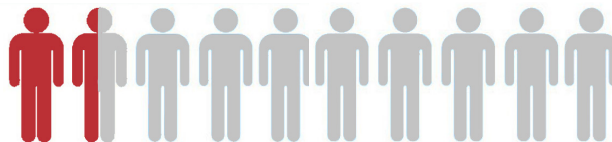


9/10 of the households spending at least half their income on rent were households of color, primarily Black, in 2019.⁴



86% of adults experiencing homelessness were Black in 2020.⁵

By the End of 2020, DC Residents of Color Had Undergone the Greatest Pandemic Losses



Black workers saw their **unemployment rate rise to 15.6%** while white workers saw their rate rise to **3.5%** by the third quarter of 2020.⁶



28% of Black households and 25% of Latinx households said they were not caught up on rent between August and December of 2020, on average, compared to just **5%** of white households.⁷



19% of Black households and 16% of Latinx households reported not having enough to eat between August and December of 2020, on average, compared to just **2%** of white households.⁸

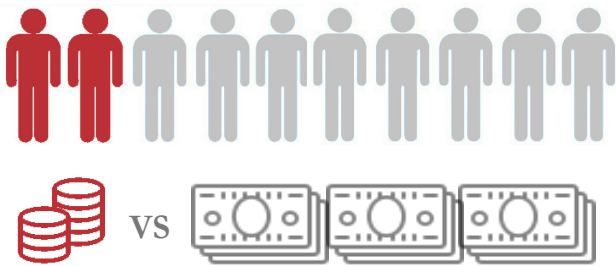
Tax Justice is the Solution

DC’s tax system currently undermines residents of color and with low incomes by failing to raise enough revenue to meet all residents’ needs. In particular, it shortchanges housing affordability, homelessness prevention, child care, and education—putting residents’ recovery and future at risk. The tax system is also unfair and asks more of District residents with low and middle incomes than it does the richest residents—the top 20%.⁹

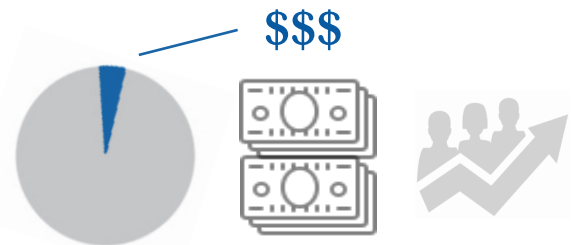
Raising revenue through taxes on the wealthiest would move everyone forward. Robust, sustained investments in people and families that help eliminate racial and economic inequities would boost economic opportunity and growth over the long-term. Research shows that eliminating income disparities would allow five times as many DC children—likely from more diverse backgrounds—to grow up to be inventors, creating the economy of the future.¹⁰

Furthermore, basing the tax code on one’s ability to pay would acknowledge and counteract through the tax system the structural barriers that leave Black and brown people overrepresented among households with low- and moderate-incomes and with the least wealth.

The top 20% of DC residents pay less in taxes as a share of their income than the bottom 80%.⁹



A tax increase on individuals with taxable income of \$250,000 or more would raise taxes on **just 3% of taxpayers** in the District.¹¹



Lawmakers must use this pivotal moment to reform DC’s tax code and advance racial equity. To create a strong and just recovery and better future, these reforms must include higher income taxes on the wealthiest residents. Doing so will enable DC to finally tackle some of its deepest inequities.

¹ Alyssa Noth and Tazra Mitchell, Before the Pandemic, DC’s Economy was Booming, but COVID-19 is Increasing Hardship, DC Fiscal Policy Institute, September 17, 2020.

² Kilolo Kijakazi, The Color of Wealth in the Nation’s Capital, Urban Institute, November 2016. Data comes from a 2013-14 phone survey.

³ State Unemployment by Race and Ethnicity, Quarter 4 2019 data, Economic Policy Institute, March 2020.

⁴ Affordable Housing: Put DC on a Path to Fully Meet the Housing Needs of Extremely Low-Income Renters, DC Fiscal Policy Institute, January 31, 2019.

⁵ The Community Partnership For The Prevention of Homelessness, “2020 Point-in-Time Count of Persons Experiencing Homelessness in the District of Columbia,” July 2020.

⁶ State Unemployment by Race and Ethnicity, Quarter 3 2020 data, Economic Policy Institute, March 2020.

⁷ CBPP analysis of US Census Household Pulse Survey, August 2020 to December data.

⁸ CBPP analysis of US Census Household Pulse Survey, August 2020 to December data.

⁹ Institute on Taxation and Economic Policy, update to Who Pays?, 6th edition, provided January 2021.

¹⁰ Wesley Tharpe, Michael Leachman, and Matt Saenz, Tapping More People’s Capacity to Innovate Can Help States Thrive, Center on Budget and Policy Priorities, December 9, 2020.

¹¹ Special data request to the Institute for Taxation and Economic Policy, January 2021.