



Taxes Explained

A Fair and Just Tax Code Is Critical for Improving Economic Power for the People

BY: ELIANA GOLDING

Why taxes matter for economic justice

People across the country already struggle to exercise economic and political control over their own lives, and there may be imminent changes in economic and tax policy that could make things worse.¹ This year will be a consequential year for tax policy: Billionaires like Elon Musk and corporate lobbyists are working hand in hand with conservative lawmakers to push through tax changes in 2025 that will deepen inequality – giving massive benefits to wealthy people and corporations while making it even harder for people to shape their economic and political futures. The stakes are particularly high for Black and brown families, who face overlapping inequalities that make it hard for them to meet their needs, achieve economic security, and plan for the future.

Tax policy, if designed well, can be a critical lever to create a more equitable economy in which all people can achieve economic security and mobility. The current tax code (an intricate web of tax laws and regulations) exacerbates income and wealth disparities, especially for Black and brown people, and enables wealth hoarding that drains resources from the public good. As people face hardship from inflation and high costs worsened by corporate greed, tax reform could bring about fairness, require the rich to pay their fair share and ensure adequate, sufficient

This piece is the first in Dēmos' new series connecting tax justice and racial equity.

This year will be a pivotal year for tax policy and will have far-reaching consequences for our economy and democracy. It is important that the people understand what is at stake. This Tax Justice and Racial Equity Explainer Series will cover key elements of the tax code that Congress will be debating this year and their real-world significance for communities of color. The following four pieces will cover corporate taxation, the difference between wealth and income taxes, and an overview of tax credits and deductions.

revenue to support the public good. In 2025, we have the opportunity to fight for tax justice by opposing tax cuts for the wealthy, while pushing for tax policies that lessen income and wealth disparities between racial groups to advance economic mobility and security for all.

What does a just system look like?

In a fair tax system, everyone pays their fair share, no one pays more than they can afford, and the government raises enough money to fund public goods that benefit us all, like education, housing, transportation, and health care. But the current tax code is inequitable.

To make meaningful progress toward equity through the tax code, policymakers must acknowledge and counteract the harms and inequities in the current tax code that have stymied the ability of Black and brown people to achieve economic security and mobility. They can do that by creating tax policy that reflects three core principles:

- Ensure the tax code raises adequate revenue for public goods
- Use progressive taxation to provide a check on wealth hoarding while redistributing resources
- Make sure that tax credits and deductions offer equitable financial support to subsidize critical goods and services that families need

In a fair tax system, everyone pays their fair share, no one pays more than they can afford, and the government raises enough money to fund public goods that benefit us all, like education, housing, transportation, and health care.

A Just Tax System

Raises Revenue Fairly Through Progressive Taxation

The tax system is the way the government pays for public goods. It does so by raising money, called *revenue*, through different types of taxes (e.g., income taxes or taxes on corporate profits). The most equitable way to raise those funds is through *progressive taxation*, where households that earn more money or have greater wealth pay a higher tax rate. This means someone with a higher income pays more in taxes to support public goods that everyone uses, regardless of income, like schools, roads, and emergency services.

State and local tax systems are mostly *regressive*, meaning that people with lower incomes pay a higher share of their income in taxes than the rich.² One reason is because states and localities often rely on consumption taxes, like sales taxes, to

raise revenue. This type of tax places a higher cost burden on people with lower incomes, who pay the same sales tax rate as those with higher incomes. Regressive tax systems will widen the gap between incomes for white and Black families. Policymakers at all levels of government should pass policies that make federal, state, and local taxes more progressive.

Provides a Check on Power and Wealth Hoarding

An equitable, progressive tax code can be a tool to curb wealth and power hoarding. The current tax code contains a number of policies that allow (and even reward) the accumulation and passing on of enormous fortunes without paying taxes. It also allows corporations to rake in massive profits while paying relatively little (and sometimes even nothing!) in federal taxes. In other words, the tax code is designed to help the rich get richer. These policies have helped widen the enormous racial wealth gap, because African Americans and other communities of color have historically had limited access to tax-advantaged wealth-building opportunities. A stronger estate and gift tax and a fairer capital gains tax could prevent the massive accumulation of wealth for some while others struggle economically. A fair corporate tax code, including a reasonable tax rate, should keep corporations from amassing enormous profits, which they have historically used to enrich themselves and influence elections. An overall more progressive tax code would also have a redistributive effect, by taxing excessive wealth and redirecting those resources to reduce income inequality.

A fair corporate tax code, including a reasonable tax rate, should keep corporations from amassing enormous profits, which they have historically used to enrich themselves and influence elections.

Subsidizes Critical Goods and Services

The tax code provides a tool for governments to provide subsidies and incentives for certain activities and services. It uses tax credits and deductions, which are two methods for lowering a tax bill, to encourage certain economic activities like

In a fair tax code, tax incentives should advance equity by alleviating cost burdens for taxpayers who may struggle to afford certain critical services or by helping people access economic opportunities.

homeownership, affordable housing production, or use of renewable energy, or to provide financial relief for those who need it.

In a fair tax code, tax incentives should advance equity by alleviating cost burdens for taxpayers who may struggle to afford certain critical services or by helping people access economic opportunities. For example, the Premium Tax Credit, which may expire this year, helps qualifying households afford to cover the premiums for their health insurance coverage that they purchase through the Health Insurance Marketplace.

What's at stake for families of color in 2025

The tax agenda that the president and congressional Republicans are pushing reflects a long history of conservative efforts to advance policies that deny resources to communities of color in favor of enriching the wealthy. Their current proposals cut taxes for corporations and the wealthy and pay for those tax cuts by drastically reducing funds for public goods and programs that not only provide a safety net but also support a healthier, more equitable, and greener economy. For generations, lawmakers have perpetuated a false narrative that Black people rely on public programs but do not pay taxes, and they have used this narrative to build support for tax cuts that primarily benefit white and wealthy taxpayers.³ These proposed tax cuts are part of that legacy and will widen racial wealth disparities by continuing to reward wealth hoarding while doing little for working people.

In 2025, we must demand a more progressive and equitable tax code by fighting efforts to further cut taxes for the wealthy and corporations and ensuring that everyone pays their fair share. We must reject the cuts to funding for our vital public goods and programs and demand tax policies that move the country toward a healthier, more racially equitable economy in which all people have the ability to achieve economic security and mobility.

In 2025, we must demand a more progressive and equitable tax code by fighting efforts to further cut taxes for the wealthy and corporations and ensuring that everyone pays their fair share.

Endnotes

1. Dēmos. (December 4, 2024). *Power Scorecard: Mapping Conditions to Build Economic and Political Power*. <https://power.demos.org/>
2. Institute of Taxation and Economic Policy. (January 2024). *Who Pays? 7th Edition*. <https://itep.org/whopays-7th-edition/>
3. Andrew W. Kahrl. *The Black Tax: 150 Years of Theft, Exploitation, and Dispossession in America*. (University of Chicago Press, 2024)

Our Work to Build Power

For decades, Dēmos has been committed to advancing racial justice by working at the intersection of economic justice and democracy reform. Our recent publication, the [Dēmos Power Agenda: A Framework for Building People Power](#), outlines our vision for creating a just, inclusive, multiracial democracy and economy. The [Power Scorecard](#) offers a data framework and tool to establish a baseline of the current economic, civic, and political conditions we face as we fight for that multiracial democracy and economy.

About Dēmos

Dēmos is a non-profit public policy organization working to build a just, inclusive, multiracial democracy and economy. We work hand in hand to build power with and for Black and brown communities, forging strategic alliances with grassroots and state-based organizations.

Demos.org

80 Broad Street, 4th Fl
New York, NY 10004

Media Contact

media@demos.org