WHO PAYS FOR A PAYMENTS TAX?

Estimating the exact impact on individuals of a payments tax is difficult to do because, like the estimation of payments, comprehensive data on financial holdings by income is not available. However, we can access more broad data on wealth holding distributions and use this to get a rough estimate of how much various income classes would pay under a payments tax.

Before looking at wealth distribution within households, let's look at the total value of financial holdings. While data on wealth held by financial corporations is not available, we can access both data on wealth held by households and nonprofits (which is counted together by the fed) and nonfinancial corporate businesses. In 2016, households and nonprofits jointly held $90.1 trillion and nonfinancial corporate businesses held $21.3 trillion. Summing this together (excluding financial corporate wealth), in 2016 there was about $111.4 trillion in wealth, and around 81% of this was held by private households and nonprofits.

Assuming that the payments tax would be distributed according to these wealth holdings might be a good basis to estimate impacts, but as research has demonstrated, those with more wealth make more transactions *per dollar* compared to those with less wealth. Wealthy individuals tend to move their money around more and spend it less than low or middle income individuals. Those people that hold less wealth end up spending most of their income on things like housing and food and are left with a smaller proportion to move between investment accounts, compared to wealthier folks that have more disposable income to move around.

Before looking at wealth distributions based on income class, it's important to address why we are looking at wealth distributions rather than income earnings. A big chunk of the money held by the wealthy doesn't come in through traditional income streams. While low- and middle-income folks have nearly all of their money come in through income, the wealthy earn more of their money through options, inheritances, growth on financial holdings, etc., so when we look at the income of the wealthy, it often doesn't reflect how much money they are actually bringing in each year. Also, looking at wealth rather than income accounts for low income folks who receive some income but end up spending more than they make and actually hold negative amounts of wealth. Holding negative amounts of wealth doesn't necessarily indicate that someone is financially irresponsible, it just means that the income they bring in isn't sufficient to cover their day-to-day needs. When we look at wealth instead of income, we can also account for all of the money the wealthy make that they aren't currently paying an income tax on.

We can speculate that because nonfinancial corporations hold around 20% of wealth, they'd see 20% of the tax burden. Of course, the impact from business to business varies greatly based on size. The tax burden on companies would also be highly reliant on how frequently they are circulating money amongst their accounts. In terms of household distribution, the top 20% of income earners hold 87% of household wealth, and the next 20% hold another 10% of household wealth. Breaking this down to an individual level is next-to-impossible though, given regulations on financial data as well as the sheer amount of financial data in the US. But generally, we can state that a payments tax would impact primarily the top 20% of income earners, as this group holds the lion's share of wealth in the US. Additionally, because the wealthy make more transactions per dollar, this places a further burden on them, assuming they will continue to transact at a high rate. While a payments tax isn't progressive in principle, it introduces progressivity via transaction volume. And although we can look at wealth holdings to get a rough estimate of impacts, it's also important to keep in mind that everyone (including those in debt) will still be paying taxes on transactions like grocery store purchases.