Progressive Wealth Taxation
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Section 5.5 Charitable Giving

A wealth tax that does not apply to private foundations or public charities could spur an increase in charitable giving among the extremely wealthy. This increase would reflect both an acceleration in the timing of donations that would otherwise have been made later in life and an increase in the overall level of charitable giving. This increase in charitable giving would also reduce wealth concentration.

To prevent abuse, donor advised funds or funds in private foundations controlled by funders should be subject to the wealth tax until the time that such funds have been spent or moved fully out of the control of the donor. For example, assets in the Bill and Melinda Gates' foundation should be counted as part of the wealth of Bill and Melinda Gates' wealth. If the foundation receives funding from others such as Warren Buffett, this wealth would also be part of the Gates' wealth.

More generally, how to treat wealth held in foundations not controlled by the original funder (who may have passed away) is a difficult question. To the extent that the foundation is controlled primary by one person or family (as opposed to a board that rotates), such wealth constitutes concentrated individual power and it makes sense to make such wealth taxable. At the same time, because such wealth is pledged to charitable giving, it could arguably receive preferential treatment. Currently, private foundation wealth is slightly above 1% of total US wealth (1.2% in 2012 from Saez and Zucman, 2016) so this is relatively small relative to the 20% owned by the top .1%.

Source: Source: Saez, Emmanuel, and Gabriel Zucman. "Progressive Wealth Taxation." *Brookings.edu*, Brookings Papers on Economic Opportunity, 2019, www.brookings.edu/wp-content/uploads/2019/09/Saez-Zucman_conference-draft.pdf.