Mulling Joe Biden’s Capital-Gains Tax Hike

There is no reason to starve the economy of what it needs to emerge out of this recession: investment.

Mark A. Bloomfield and Oscar S. Pollock are right about the secondary consequences of the capital-gains tax (“On Capital Gains, Joe Biden is no Jack Kennedy,” Aug. 10). It
taxes not only capital, but also the formation of capital. When faced with potential tax burdens, rational investors will seek avoidance. Assets will be invested in tax-free municipals, real estate or be directed offshore. Higher tax rates distort economic incentives.

David R. Breuhan  
*Bloomfield Hills, Mich.*

When people start new businesses, they hope to hit home runs. If all goes well, the business will bring them profits that are many multiples of their investments. They couldn’t care less what the tax on capital gains might be. In planning startups for entrepreneurs and investors in my 50 years of practicing tax law, I have never had anyone ask about capital-gains tax.

Peter L. Faber  
*New York*

Imagine you bought a condo for investment purposes in 1990 for $100,000 and you sell it today for $150,000. You have lost big, since prices have more than doubled in the interim. In other words, you could buy more for $100,000 in 1990 than you can buy for $150,000 today. But to add insult to injury, you will have to pay capital-gains tax on $50,000 of illusory gains.

This tax is arbitrary. The last thing we need is an increase in the rates. A simple fix would be to adjust the value of taxable assets to inflation and then tax the real gains. This “indexing” isn’t proposed, however, because while it make the tax fairer and more efficient, it would also lower government tax revenue.

S. Abraham Ravid  
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*Mr. Ravid is a professor of finance at Yeshiva University.*

The pro-investment provisions of the 2017 tax cut helped increase capital spending by 6.6% in 2018, leading to the fastest wage growth in a decade. Democrats should champion progressive consumption taxes, which raise revenue without dampening
capital investment, unlike capital-gains and wealth taxes. There is no reason to starve the economy of what it needs to emerge out of this recession: investment.

Kiran Sridhar
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I’m reminded of Mr. Biden’s boast from June 23, 2014: “I don’t own a single stock or bond. . . . I have no savings accounts. But I got a great pension and I got a good salary.” Good luck to the rest of us. The man who would be our president has no experience with the markets. Mr. Biden doesn’t have to understand how bad tax policies affect Americans working and saving in the private sector. Unlike the average taxpayer, he has a great pension and fully expects to have another good government salary.

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