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GUEST ESSAY

You Don't Have to Take Every Tax Deduction, and You Shouldn't

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By Matthew Desmond

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Alejandro Narváez is OK taking less. He hires only contractors who pay their workers a living wage, even if that means a larger bill. A Seattle-based dentist, he's promoted [cost-effective practices](#) to expand dental care to the underserved, even if those practices cut into his bottom line. And when it comes to paying taxes, he forgoes many deductions afforded him.

For much of Mr. Narváez's life, money was tight. When he began his practice, he made \$30,000 a year, out of which a large chunk went to paying off student loans. But today, Mr. Narváez and his wife, a retired elementary school principal, live comfortably. Last year, they earned approximately \$550,000 and paid roughly \$155,000 in federal income taxes. Upon seeing those figures, Mr. Narváez's financial adviser told his client he was overpaying and introduced him to an accountant.

But after hearing the accountant's spiel, Mr. Narváez politely declined his offer, filing his taxes with TurboTax, not to save money but to lose it. "I see it as my responsibility to pay my fair share of taxes," Mr. Narváez, who is 70, told me. "I have so many opportunities to reduce my taxes, but I choose not to."

Tax season is upon us, a time to gripe, moan, procrastinate, file for extensions and salve the pain with dark humor. (Mark Twain once joked that the difference between a taxidermist and a tax collector is that the former takes only your skin.) But this time of year also provides us the opportunity to ask ourselves: Is it ethical to take tax breaks that primarily make the rich richer?

Yes, tax breaks benefit the billionaire class, which has the lowest effective tax rate in the country. And yes, they benefit large corporations, many of which [pay no](#) federal

income tax. The outrageous tax shenanigans of the ultrawealthy have deservedly drawn the ire of the American public, further aggravated by congressional inertia on the matter.

But we should recognize that tax breaks also prop up the wealth of millions of affluent Americans who take advantage of exemptions that are very hard, perhaps impossibly hard, to defend on either practical or moral grounds.

Last year, tax breaks for dividends and capital gains — profits from the sale of assets, like stocks or artwork, which are taxed at lower rates than other sources of income — cost the government an estimated \$153 billion. In 2022, [92 percent](#) of that benefit went to households making \$200,000 or more, and 73 percent went to those with incomes over \$1 million.

Inheritance explains more than [60 percent](#) of wealth inequality nationwide, a recent study found, but U.S. law allows wealth to be passed onto heirs almost tax-free. Let's say you buy \$1,000 of stock that grows in value to \$49,999 over the course of your lifetime; then you pass it on to your children when you die. If your kids turn around and sell the stock the next day, when it is valued at \$50,000, they will owe taxes only on the \$1 of growth that happened when the stock was in their possession.

All told, roughly half of all major income tax expenditures — provisions that exclude or reduce income for tax purposes, resulting in significant lost revenue for the government — flow to households in the top 20 percent of the income distribution. Annually, that amounts to \$500 billion transferred to America's richest families, money that could have been used to build more affordable housing, deepen investments in public education, cut child poverty, help close the Black-white wealth gap or even make sure all of us had access to a dentist.

The biggest beneficiaries of tax breaks are white. Consider the mortgage-interest deduction, which results in \$25 billion in lost revenue each year, a figure that is expected to exceed \$100 billion by 2027, owing to the expiration of provisions in the [Tax Cuts and Jobs Act](#) that President Donald Trump signed into law in 2017. Roughly 84 percent of the funds distributed by the mortgage-interest deduction flow to white households. Black households claim 4 percent.

White families also enjoy 90 percent of the benefits from qualified business income deductions, which deprived the federal government of roughly \$50 billion last year, as well as 92 percent of the benefits from capital gains deductions.

Many of us are aware that the more money the country dedicates to subsidizing private affluence, the less it has to invest in the public good. And yet, year after year, well-off Americans, including those ostensibly committed to fairness and equality, take large tax deductions anyway. Besides the [occasional statement](#) from liberal elites asking to

be taxed more, many of the biggest beneficiaries of the government's largess have done very little to bring about fair tax reform.

Why do we keep waiting for Congress to act when we could effectively tax ourselves more by following Mr. Narváez's example and refusing to take some deductions?

Of course, the government can direct extra revenue to all sorts of things, choosing to make more bombs instead of feeding the hungry. So would it be better to donate our tax deductions to worthy causes instead of forgoing them?

My family has struggled with this question. For years, I have criticized the mortgage-interest deduction, which, by inflating home prices, serves as an [obstacle](#), not an on ramp, to homeownership. In theory, nearly all mortgaged homeowners are eligible for this benefit. In practice, it's primarily a windfall for the wealthy. Last year, homeowners with annual family incomes below \$30,000 received \$22 million through the mortgage-interest deduction. Those with annual incomes above \$200,000 took home 800 times that amount: a whopping \$17.6 billion.

My family qualifies for this ridiculous deduction. But we don't want it. What we want is to live in a country where fewer public dollars flow to stable homeowners and more flow to renting families crushed by the high cost of housing. So we've decided to create that society in miniature form, and with full recognition that we have the privilege of doing so, by donating what we receive from the mortgage-interest deduction to affordable housing initiatives on top of our regular giving.

In an ideal world, there would be no mortgage-interest deduction, no capital gains loophole, no [\\$1 trillion a year](#) lost in unpaid taxes, and the nation's bolstered revenue streams would be directed at opportunity-expanding initiatives determined by representative democracy. But we have inherited a world of entrenched inequality and poverty. In this world, I honestly don't know if it's better to donate tax deductions or, like Mr. Narváez, refuse them outright. I only know that it feels unfair to keep it all for ourselves.

I often overhear liberals deriding individual acts like these because what is *really* needed is structural change. But I'm not talking about tossing a few dollars into the collection plate. I'm talking about a coordinated effort to redirect hundreds of billions of dollars from the upper classes to struggling families.

Arguing exclusively for systematic reform by mocking individual acts of altruism strikes me as a great way to get neither. In fact, it seems like a pretty convenient strategy rich liberals can deploy to justify all the ways the government guards their fortunes.

If liberalism is just talk — talk of integration while resisting affordable housing in our neighborhoods; talk of exploitative companies while investing in them in our

retirement portfolios; talk of expanding the social safety net while depriving the government's ability to do so by shielding tax cuts for the rich — is it really a liberalism worthy of the name?

I believe every American should call for programs aimed at [abolishing poverty](#) funded by fair tax reform, especially legislation that ensures people and corporations worth billions pay up. But prosperous Americans can do something else as well. They can send Washington a clear message that they would support progressive tax reform by enacting such reforms in their own lives.

Public policy often follows private displays of sacrifice. And besides, individual acts can quickly become political ones if enough of us pitch in, creating a movement that gathers force to pressure lawmakers to act.

Imagine a campaign involving millions of Americans who donated their tax breaks to community organizers or direct service providers — or refused to claim them at all — and persuaded their friends to do likewise. Imagine those taxpayers asking their senators and representatives to end nonsensical deductions and redirect the extra revenue to programs that benefited the poor. Imagine if we all came to view tax breaks not as entitlements but as money that is not rightfully ours.

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