NURTURING THE BABY BOND PROPOSAL: HOW TAX PRINCIPLES CAN CLOSE THE RACIAL WEALTH GAP IN THE UNITED STATES*

"[T]he problems of racial injustice and economic injustice cannot be solved without a radical redistribution of political and economic power."[1]

I. INTRODUCTION

"Every day I'm trying to play catch-up," said Kourtney McGowan—a Black mother from California who became unemployed after her company refused to accommodate her work schedule during the COVID-19 pandemic.[2] McGowan noted that she could not "have [her] son in [her] office for eight hours every day," and she had no reliable plan for childcare.[3] She turned her eight-year-old son to therapy to address his anxieties stemming from the pandemic.[4] "Raising Black boys is hard in itself . . . . I'm just trusting God," said McGowan.[5]

The United States of America is the wealthiest country in the world, but, paradoxically, it has the largest wealth gap in the world.[6] The wealth gap in the United States is starkest between races—Black wealth per family has declined by approximately 50% since 1983, while White wealth per family has increased by 33%.[7] Families, like

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1. Dr. Martin Luther King Jr., President, S. Christian Leadership Conf., The Three Evils of Society (Aug. 31, 1967).

2. Kelly Glass, *Black Families Were Hit Hard by the Pandemic. The Effects on Children May Be Lasting.*, N.Y. TIMES (July 1, 2020), http://www.nytimes.com/2020/06/29/parenting/coronavirus-black-children-inequality.html [http://perma.cc/2LEW-2BLL].

3. *Id.*

4. *Id.*

5. *Id.*

6. Jack Ewing, *United States Is the Richest Country in the World, and It Has the Biggest Wealth Gap*, N.Y. TIMES (Sept. 23, 2020), http://www.nytimes.com/2020/09/23/business/united-states-is-the-richest-country-in-the-world-and-it-has-the-biggest-wealth-gap.html [http://perma.cc/8EMQ-9DXA] ("Per capital [sic] wealth in the United States grew more than 13 percent in 2019, to $245,000, in part because affluent Americans saved their tax cuts rather then [sic] spending the money, and because Americans are more likely than people in most other countries to buy stocks.").

7. *See* CHUCK COLLINS, DEDRICK ASANTE-MUHAMMED, JOSH HOXIE & SABRINA TERRY, INST. FOR POL'Y STUD., DREAMS DEFERRED: HOW ENRICHING THE 1% WIDENS THE RACIAL WEALTH DIVIDE 3 (2019),

the McGowans, are finding themselves in difficult positions where they are "going to have quite a bit less to leave to their children."[8] Black children are more likely to live in poverty than their White peers,[9] which impacts not only their physical and mental health but also their ability to achieve economic mobility.[10]

Congress has relied primarily on fiscal policy mechanisms to provide substantial economic stimulus to the public and private sectors of the U.S. economy through the Tax Cuts and Jobs Act (TCJA)[11] and—in the face of a raging pandemic—through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").[12] However, these policies have fallen short of erasing racial economic disparities; in some cases, the policies have increased these disparities.[13]

In order to address the racial economic gap, scholars and researchers across the United States have promulgated the idea of a "baby bond."[14] Upon the birth of an American child, that child would be provided a trust fund, which would become accessible when the child becomes a young adult.[15] Each child would receive varying amounts of funds that would correlate inversely with the net worth of the child's household at the time of birth.[16] U.S. Senator Cory Booker (D-NJ) and others have adopted this idea but rely on gross familial income to calculate the amount of each disbursement, as opposed to actual wealth.[17] The baby bond solution is gaining traction within academia and policy spheres.[18]

The baby bond solution must ground itself in values that should underlie all American tax policies—tax neutrality, tax simplicity, tax transparency, and tax stability.[19] Recipients of the baby bond must (1) graduate from high school and (2) enter

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http://inequality.org/wp-content/uploads/2019/01/IPS_RWD-Report_FINAL-1.15.19.pdf [http://perma.cc/8ALX-57B2].

8. Glass, *supra* note 2.

9. *Id.*

10. *Id.*

11. Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).

12. Coronavirus Aid, Relief, and Economic Security Act, 15 U.S.C. §§ 9001–9080; *see infra* Part II.A.1. Congress has also relied on fiscal policy mechanisms by passing additional COVID-19 economic relief in December 2020 and the American Rescue Plan in March 2021. *See Federal COVID Relief Bill Passed by Congress - December 2020*, NAT'L L. REV. (Dec. 23, 2020), http://www.natlawreview.com/article/federal-covid-relief-bill-passed-congress-december-2020 [http://perma.cc/2JS2-9QZX]; *American Rescue Plan Act Funding Breakdown*, NAT'L ASSOC. OF CNTYS. (Apr. 12, 2021), http://www.naco.org/resources/featured/american-rescue-plan-act-funding-breakdown [http://perma.cc/4WVJ-MFR3].

13. *See infra* Part II.A.1. The American Rescue Plan Act, passed by President Joseph R. Biden, Jr., in March 2021, has explicitly "placed racial equity front and center." WALLY ADEYEMO, U.S. DEP'T OF THE TREASURY, THE AMERICAN RESCUE PLAN: CENTERING RACIAL EQUITY IN POLICYMAKING 1 (2021) http://home.treasury.gov/system/files/136/American-Rescue-Plan-Centering-Equity-in-Policymaking.pdf [http://perma.cc/RD35-4MYS].

14. *See infra* Part II.B.

15. *See infra* Part II.B.

16. *See infra* Part II.B.

17. *See infra* Part II.B.

18. *See infra* Part II.B.

19. *See infra* Part III.A.

either a specified trade or business or attend an accredited two- or four-year institution.[20] Further, the baby bond solution must be implemented through transparent processes from Congress and the Department of Treasury,[21] and ensure that low-income communities fully understand the baby bond framework.[22] Lastly, due to the length of the baby bond program, the proposal's longevity must be preserved through consecutive congressional terms and executive administrations.[23]

This Comment proceeds in three Sections. Section II begins with an overview detailing wealth inequality in the United States[24] and the relationships between race, wealth, and fiscal policy.[25] Part II.B discusses the baby bond solution—an idea developed by scholars to provide a savings account to every American child at birth, along with yearly additions depending on the gross household income as compared to the federal poverty line.[26] Part II.C closes by detailing several tax policy principles that serve as guardrails for the U.S. tax system.[27]

Part III.A describes how the baby bond solution should adopt tax neutrality principles by requiring baby bond recipients to (1) graduate high school and (2) start a qualified trade or enter an accredited institution. Part III.B explains how the baby bond solution should be designed in such a way to enable simple administration while also offsetting burden costs suffered by Black people. Part III.C explains why a transparent implementation process is necessary for the baby bond solution to succeed and provides recommendations on how to incorporate suggestions from external stakeholders. Part III.D closes by detailing how a baby bond proposal that is permanent, and thus procures reliance from minority communities, best ensures the program's utility.

II. OVERVIEW

Scholars and institutions have conducted extensive research into the wealth inequalities in the United States, particularly the social effects stemming from those inequalities. The social effects of wealth inequalities include different educational outcomes, health measures, and property ownership opportunities.[28] However, scholars and academics have advanced complex solutions to close the racial wealth gap in the twenty-first century.[29]

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20. *See infra* Part III.A.
21. *See infra* Part III.C.
22. *See infra* Part III.B.
23. *See infra* Part III.D.
24. *See infra* Part II.A.
25. *See infra* Part II.A.
26. *See infra* Part II.B.
27. *See infra* Part II.C.
28. *See* Glass, *supra* note 2.
29. *See* Vanessa Williamson, *Closing the Racial Wealth Gap Requires Heavy, Progressive Taxation of Wealth*, BROOKINGS (Dec. 9, 2020), http://www.brookings.edu/research/closing-the-racial-wealth-gap-requires-heavy-progressive-taxation-of-wealth/ [http://perma.cc/868X-7KYQ].

This Section proceeds in three Parts. Part II.A outlines the social and political effects of a society with severe wealth inequalities, while also analyzing how fiscal policy, race, and wealth interact. Part II.B explains the baby bond concept espoused by scholars across the country and how Senator Booker's proposal differs from most scholars' proposals. Part II.C details the tax principles that underlie the United States income tax code.

A. Wealth Inequality in the United States

The accumulation of wealth by the top 0.1% has devastating consequences[30] and has steadily increased since the 1980s.[31] Wealth inequality not only impacts the economic choices of individuals[32] but also has broad social and political ramifications.[33] The share of total wealth in the United States held by the wealthiest 0.1% of people has risen from 7% in 1978 to 22% in 2012, reaching a level comparable to that of the late 1920s.[34] This increase occurred mainly at the expense of the American middle class, which has seen no substantial increase in wealth creation since the 1940s.[35] Four leading economists have opined that one of the leading causes of this disparity is United States tax policy.[36] Since 2018, the tax policy decisions within the TCJA and the CARES Act have exacerbated the wealth inequality in the United States.[37]

Researchers, policymakers, and economists are concerned with wealth inequality because people on the lower rungs of the economic ladder may experience diminished economic opportunity and mobility.[38] This reality produces a phenomenon

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30. *See Rising Wealth Inequality: Causes, Consequences and Potential Responses*, UNIV. MICH. (May 2015), http://www.npc.umich.edu/publications/policy_briefs/brief40/ [http://perma.cc/4S7L-T3D7].

31. *See* Palma Joy Strand & Nicholas A. Mirkay, *Racialized Tax Inequity: Wealth, Racism, and the U.S. System of Taxation*, 15 NW. J. L. SOC. POL'Y 265, 280 (2020).

32. *See* BRIAN KEELEY, OECD, INCOME INEQUALITY: THE GAP BETWEEN RICH AND POOR 66 (2015), http://espas.secure.europarl.europa.eu/orbis/sites/default/files/generated/document/en/0115391e.pdf [http://perma.cc/9MQK-VSBH] (noting that poor people may be affected by economic inequality by the lack of opportunity to invest in their education).

33. *Rising Wealth Inequality: Causes, Consequences and Potential Responses*, *supra* note 30.

34. Emmanuel Saez & Gabriel Zucman, *Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data*, 131 Q. J. ECON. 519, 519–20 (2016).

35. *Id.* at 573.

36. Facundo Alvaredo, Anthony B. Atkinson, Thomas Piketty & Emmanuel Saez, *The Top 1 Percent in International and Historical Perspective*, 27 J. ECON. PERSPS. 3, 18 (2013).

37. *See, e.g.*, Press Release, Econ. Pol'y Inst., The TCJA Overwhelmingly Benefited the Rich and Corporations While Overlooking Working Families (Dec. 17, 2019), http://www.epi.org/press/the-tcja-overwhelmingly-benefited-the-rich-and-corporations-while-overlooking-working-families/ [http://perma.cc/T3YL-Z96C].

38. JULIANA MENASCE HOROWITZ, RUTH IGIELNIK & RAKESH KOCHHAR, PEW RSCH. CTR., MOST AMERICANS SAY THERE IS TOO MUCH ECONOMIC INEQUALITY IN THE U.S., BUT FEWER THAN HALF CALL IT A TOP PRIORITY 14 (2020), http://www.pewresearch.org/social-trends/wp-content/uploads/sites/3/2020/01/PSDT_01.09.20_economic-inequailty_FULL.pdf [http://perma.cc/6KGL-H7XX].

called "The Great Gatsby Curve," which results in children from low-income families having more difficulty climbing the economic ladder than their wealthier counterparts.[39]

In the United States, children born into well-off families are more likely to stay well off, while children of low-income families are more likely to remain disadvantaged.[40] The children of well-off families are more likely to benefit from an opportunity gap or an achievement gap, and they are more likely to attend America's most selective universities.[41] These children typically come from public schools that benefit from being surrounded by properties with higher values, which leads to higher revenue from taxation, and, therefore, better-funded public schools.[42]

Additionally, wealth inequality increases the political influence of the financially well off.[43] A democratic republic relies on its citizens' institutional representation, but Supreme Court precedent gives the wealthy an incentive to lobby for their particular policy views.[44] Some billionaires have used their platform to call the current income and wealth inequality a "national emergency."[45] Along with populism, wealth inequality is

39. *See* David Vandivier, *What Is the Great Gatsby Curve?*, WHITE HOUSE: PRESIDENT BARACK OBAMA (June 11, 2013, 1:45 PM), http://obamawhitehouse.archives.gov/blog/2013/06/11/what-great-gatsby-curve [http://perma.cc/5ERH-EJAJ].

40. *See* MICHAEL GREENSTONE, ADAM LOONEY, JEREMY PATASHNIK & MUXIN YU, HAMILTON PROJECT, THIRTEEN ECONOMIC FACTS ABOUT SOCIAL MOBILITY AND THE ROLE OF EDUCATION 6 (2013) [hereinafter GREENSTONE ET AL., THIRTEEN ECONOMIC FACTS], http://www.brookings.edu/wp-content/uploads/2016/06/THP_13EconFacts_FINAL.pdf [http://perma.cc/YM6K-FYER] ("[A] child born to parents with income in the lowest quintile is more than ten times more likely to end up in the lowest quintile than the highest as an adult (43 percent versus 4 percent). And, a child born to parents in the highest quintile is five times more likely to end up in the highest quintile than the lowest (40 percent versus 8 percent)."); *see also* Ben Miller, *It's Time To Worry About College Enrollment Declines Among Black Students*, CTR. AM. PROGRESS (Sept. 28, 2020, 9:03 AM), http://www.americanprogress.org/issues/education-postsecondary/reports/2020/09/28/490838/time-worry-college-enrollment-declines-among-black-students/ [http://perma.cc/87J9-MK2X] (discussing the fact that fewer and fewer Black students are entering universities across the United States, which inevitably means less economic mobility).

41. GREENSTONE ET AL., THIRTEEN ECONOMIC FACTS, *supra* note 40.

42. *See* Cory Turner, Reema Khrais, Tim Lloyd, Alexandra Olgin, Laura Isensee, Becky Vevea & Dan Carsen, *Why America's Schools Have a Money Problem*, NPR (Apr. 18, 2016), http://www.npr.org/2016/04/18/474256366/why-americas-schools-have-a-money-problem [http://perma.cc/HYK7-9TSM]; *see also* Michael Greenstone, MAX HARRIS, KAREN LI, ADAM LOONEY & JEREMY PATASHNIK, HAMILTON PROJECT, A DOZEN ECONOMIC FACTS ABOUT K–12 EDUCATION 1 (2012) [hereinafter GREENSTONE ET AL., A DOZEN ECONOMIC FACTS], http://www.brookings.edu/wp-content/uploads/2016/06/THP_12EdFacts.pdf [http://perma.cc/L3PC-X97X] (discussing how vital education is in the lives of children and the more subtle impacts K–12 education has on economic choices).

43. *See* JOSEPH E. STIGLITZ, THE PRICE OF INEQUALITY: HOW TODAY'S DIVIDED SOCIETY ENDANGERS OUR FUTURE 133 (2012).

44. *See id.* at 131–32; *see also* Citizens United v. FEC, 558 U.S. 310, 365 (2010) (holding that the government may not, under the First Amendment, suppress political speech on the basis of the speaker's corporate identity).

45. *See, e.g.*, Mark Niquette, *Dalio Says Capitalism's Income Inequality Is National Emergency*, BLOOMBERG (Apr. 8, 2019), http://www.bloomberg.com/news/articles/2019-04-07/dalio-says-capitalism-s-income-inequality-is-national-emergency [http://perma.cc/9WCH-KMQU].

severely detrimental to a country like the United States.[46] A prominent former World Bank economist proclaimed that "[t]he higher the [wealth] inequality, the more likely we are to move away from democracy toward plutocracy."[47] Federal, state, and local tax policies have a vital role in weakening democratic institutions by favoring the top 0.01%.[48]

U.S. fiscal policy (including the TCJA and the CARES Act) directly and indirectly perpetuates wealth and income inequalities.[49] Black individuals—who have been substantially marginalized throughout U.S. history[50]—suffer disproportionately from the wealth inequality created by these fiscal policies.[51]

1. Inequality and Fiscal Policy

Taxes and inequality are inextricably linked within the U.S. societal ecosystem.[52] Tax expenditures reduce government receipts from taxes, resulting in "net negatives to the public balance sheet and net positives to the individuals they benefit."[53] These net positives for individuals may be a deduction on the interest paid on a home mortgage but in turn create a net negative in tax revenue for the government.[54] In a societal sense, these net positives for individuals may come at the expense of "redistributing wealth toward the poor" and the "public or community good."[55] Individuals in the top quintile of income disproportionately benefit from federal tax-deferral policies, including 401(k) pensions and 529 college accounts.[56]

The TCJA, which became law in 2017 and was the most extensive overhaul of the federal tax code since the 1980s, has perpetuated wealth inequality for individuals

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46. *See id.*

47. Ryan Bourne, *Has Wealth Inequality Eroded U.S. Democracy?*, CATO INST. (Oct. 24, 2019, 10:00 AM), http://www.cato.org/blog/has-wealth-inequality-eroded-us-democracy [http://perma.cc/UK4S-QJ4P].

48. *See* Clinton G. Wallace, *Tax Policy and Our Democracy*, 118 MICH. L. REV. 1233, 1239–56 (2020) (arguing that tax policy and tax policymaking should account for democratic values that focus on accountability and reform).

49. *See infra* Part II.A.1.

50. *See infra* Part II.A.2.

51. *See infra* Part II.A.3.

52. *See* Strand & Mirkay, *supra* note 31, at 266–70.

53. *Id.* at 266–67.

54. *Id.* at 267.

55. *Id.* at 270.

56. *See* RICHARD V. REEVES, DREAM HOARDERS: HOW THE AMERICAN UPPER MIDDLE CLASS IS LEAVING EVERYONE ELSE IN THE DUST, WHY THAT IS A PROBLEM, AND WHAT TO DO ABOUT IT 1–2 (2017). High-income earners are encouraged to max out their tax-deferred retirement accounts to minimize their current tax burden. *See* Arthur Pinkasovitch, *Tax-Deferred or Tax-Exempt Retirement Accounts: What's the Difference?*, INVESTOPEDIA, http://www.investopedia.com/articles/taxes/11/tax-deferred-tax-exempt.asp [http://perma.cc/N4TV-5W3P] (last updated Apr. 11, 2021). Authorized by Section 529 of the Internal Revenue Code, 529 college tax-deferred accounts offer benefits that include tax-free withdrawals when used for eligible expenses. *See What Is a 529 College Savings Plan?*, BLACKROCK, http://www.blackrock.com/us/individual/products/529-college-savings-plans [http://perma.cc/8LH2-8AZD] (last visited Nov. 1, 2021).

and wealth accrual by corporations.[57] The wealthiest 1% of taxpayers received an average tax cut of $50,000 in 2020, compared with a tax cut of $645 for the bottom 80% of taxpayers.[58] The bottom 80% of taxpayers—mainly working-class people—have seen no discernible wage increase due to the TCJA. In 2019, wage growth "decisively decelerated."[59]

As of December 2019, workers had not seen the nearly $4,000 increase to annual compensation touted by the Trump administration, and estimations suggest the actual figure is $0.[60] This result is unsurprising because, as some scholars observed, "there was no identifiable problem constraining investment that the TCJA convincingly solved."[61] While the TCJA increased the amount families could receive in child tax credits, the tax credits are not wholly refundable[62]—most low-income families did not qualify for the full child tax credit.[63] The TCJA has largely benefited those within the "upper middle class,"[64] while depriving lower-income families of needed resources.[65]

A notable change from the TCJA's enactment is that the corporate income tax rate was cut from 35% to 21%, bringing the U.S. rate below the average corporate tax rate in

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57. MAGGIE CORSER, JOSH BIVENS & HUNTER BLAIR, ECON. POL'Y INST., STILL TERRIBLE AT TWO: THE TRUMP TAX ACT DELIVERED BIG BENEFITS TO THE RICH AND CORPORATIONS BUT NEARLY NONE FOR WORKING FAMILIES 2, 15 (2019), http://files.epi.org/uploads/20191211_Trump-Tax-Bill-R6.pdf [http://perma.cc/G9Z6-846X].

58. *The Promise: It Will Be a Middle-Class Tax Cut*, AMERICANS FOR TAX FAIRNESS (Sept. 14, 2020), http://americansfortaxfairness.org/promise-will-middle-class-tax-cut/ [http://perma.cc/D3RD-MP78].

59. CORSER ET AL., *supra* note 57, at 2.

60. *Id.* at 7, 9.

61. *Id.* at 9. The Trump administration relied on "faulty economic assumptions" that suggested the economy was being constrained by "high user costs of capital that were depressing investments." *Id.* However, the years prior to the enactment of the TCJA had historically low interest rates and historically high after-tax corporate profits—and investments in workers' plants or wages did not increase. *Id.* Ultimately, the administration's justifications for passing the TCJA lacked substance. *See id.*

62. *Id.* at 14.

63. *See* Chuck Marr, Chye-Ching Huang, Arloc Sherman & Emily Horton, *House Tax Bill's Child Tax Credit Increase Excludes Thousands of Children in Low-Income Working Families in Every State*, CTR. ON BUDGET & POL'Y PRIORITIES (Nov. 17, 2017), http://www.cbpp.org/research/federal-tax/house-tax-bills-child-tax-credit-increase-excludes-thousands-of-children-in-low [http://perma.cc/L5B5-XCRE] ("Specifically, the refundable portion of the CTC is limited to 15 percent of a family's earnings over $3,000. Thus, a single mother with two children and earnings of $10,000 is eligible for a CTC of $1,050, or $525 per child, rather than for the $2,000 ($1,000 per child) that a middle-income family with two children receives. Because of the credit's slow phase-in for working families with low incomes, families with two children do not receive the full credit of $1,000 per child until their earnings reach $16,333."). President Joseph R. Biden, Jr., has expanded the Child Tax Credit under the American Rescue Plan to include seventeen-year-olds in 2021, and his administration has sought Child Tax Credit expansion in the Build Back Better Act. *See President Biden Announces the Build Back Better Framework*, WHITE HOUSE (Oct. 28, 2021), http://www.whitehouse.gov/briefing-room/statements-releases/2021/10/28/president-biden-announces-the-build-back-better-framework/.

64. *See* REEVES, *supra* note 56, at 2–4.

65. *See* CORSER ET AL., *supra* note 57, at 14.

other developed countries.[66] Corporate tax revenue has dropped precipitously since the TCJA became law, primarily due to the corporate tax rate reduction.[67] Corporations were projected to pay $519 billion in corporate tax revenue to the U.S. government in 2018 and 2019 after the TCJA became law.[68] Instead, corporations paid only $435 billion.[69] This drop occurred in spite of corporate profitability increases in 2018 and 2019.[70]

Nearly one-quarter of 379 large corporations analyzed by the Institute on Taxation and Economic Policy paid no federal income tax on their U.S. income in 2018.[71] From a vertical equity perspective, this discrepancy has spurred record-breaking stock redemptions from corporations, which have increased by more than 50% since 2018.[72] Stock repurchases, which corporations prefer over distributing dividends to shareholders,[73] enrich shareholders by returning cash to them and increasing their wealth.[74] Moreover, the entire dollar amount of the stock repurchase is not taxed, but only the difference between the amount realized and the basis.[75]

At the onset of the COVID-19 pandemic in the United States, the passage of the CARES Act received adulation from the media.[76] Nevertheless, critics suggest it has significant flaws that perpetuate wealth inequality.[77] The CARES Act deferred required

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66. *Tax Policy Center Briefing Book: Some Background*, TAX POL'Y CTR., http://www.taxpolicycenter.org/briefing-book/how-did-tax-cuts-and-jobs-act-change-business-taxes [http://perma.cc/44LU-DK2H] (last visited Nov. 1, 2021).

67. *See id. But see* William McBride, *Corporate Tax Revenue Hit an All-time High in 2021*, TAX FOUND., (Oct. 12, 2021), http://taxfoundation.org/corporate-tax-collections-2021/ [http://perma.cc/5XB9-DZAD].

68. Galen Hendricks & Seth Hanlon, *The TCJA 2 Years Later: Corporations, Not Workers, Are the Big Winners*, CTR. FOR AM. PROGRESS (Dec. 19, 2019, 12:08 PM), http://www.americanprogress.org/issues/economy/news/2019/12/19/478924/tcja-2-years-later-corporations-not-workers-big-winners/ [http://perma.cc/W9Q9-4S4M].

69. *Id.* (noting the $233 billion decrease from the Congressional Budget Office projection).

70. *See id.*

71. *See* MATTHEW GARDNER, LORENA ROQUE & STEVE WAMHOFF, INST. ON TAX'N & ECON. POL'Y, CORPORATE TAX AVOIDANCE IN THE FIRST YEAR OF THE TRUMP TAX LAW 4, 7 (2019), http://itep.sfo2.digitaloceanspaces.com/121619-ITEP-Corporate-Tax-Avoidance-in-the-First-Year-of-the-Trump-Tax-Law.pdf [http://perma.cc/B493-RCSA].

72. CORSER ET AL., *supra* note 57, at 2.

73. *See* Yolander Prinzel, *Share Repurchases vs. Redemptions*, INVESTOPEDIA (May 22, 2021), http://www.investopedia.com/ask/answers/13/difference-between-redemption-and-repurchase-of-shares.asp [http://perma.cc/4H5T-RC53].

74. Trevir Nath, *4 Reasons Investors Like Buybacks*, INVESTOPEDIA, http://www.investopedia.com/articles/investing/123115/4-reasons-why-investors-buybacks.asp [http://perma.cc/57RV-HV5H] (last updated July 20, 2020).

75. *See* I.R.C. §§ 301, 1001.

76. *See, e.g.*, Rebecca Shabad & Adam Edelman, *Trump Signs $2 Trillion Coronavirus Stimulus Bill: The Legislation Will Provide Relief for Workers and Businesses That Have Been Devastated by the Outbreak*, NBC NEWS (Mar. 27, 2020, 4:41 PM), http://www.nbcnews.com/politics/congress/house-gives-final-passage-2-trillion-coronavirus-stimulus-bill-n1170281 [http://perma.cc/EZE3-U4J7] ("The legislation, which passed unanimously in the Senate on Wednesday, will provide billions of dollars in relief for struggling industries, a significant boost to unemployment insurance and direct cash payments to Americans, many of whom have been financially devastated by the outbreak.").

77. *See* Steve Wamhoff, *The CARES Act Provision for High-Income Business Owners Looks Worse and Worse*, INST. ON TAX'N & ECON. POL'Y (Apr. 24, 2020),

distributions from retirement accounts, disproportionately benefitting wealthy retirees.[78] Some high-income business owners received an average tax break of $1.6 million due to the suspension of the limitation on the deductibility of net operating losses.[79] The total benefits of this CARES Act provision went to 43,000 millionaires, who consequently retained approximately $70.3 billion.[80] The CARES Act's creators inadvertently (or knowingly) redirected funds and benefits to shareholders and creditors instead of underlying enterprises and employees.[81]

2. Race and Wealth Inequality

The Black experience in the United States has been discussed at length by prominent scholars for decades.[82] The social implications of anti-Black racism have broadly been surveyed[83] but in 2020 the economic impact of anti-Black racism started to gain more mainstream attention.[84] The violence and brutality caused by anti-Black racism are easily depicted on film, captured by a video recorder or even an iPhone.[85] Economic inequality between Black and White people—although more subtle than sheer violence—results from systemic oppression for generations,[86] beginning with wealth creation.[87]

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http://itep.org/the-cares-act-provision-for-high-income-business-owners-looks-worse-and-worse [http://perma.cc/P824-FSA6] (explaining that business owners ordinarily cannot use business losses to offset more than $250,000 of non-business income, but the CARES Act suspended this rule for individuals who have other sources of income exceeding $250,000).

78. Allan Sloan, *The CARES Act Sent You a $1,200 Check but Gave Millionaires and Billionaires Far More*, PROPUBLICA (June 8, 2020, 5:00 AM), http://www.propublica.org/article/the-cares-act-sent-you-a-1-200-check-but-gave-millionaires-and-billionaires-far-more [http://perma.cc/QAU3-NYXL].

79. Wamhoff, *supra* note 77.

80. *Id.*

81. *See* Kathryn Judge, *The Design Flaw at the Heart of the CARES Act*, FORBES (Apr. 20, 2020, 6:41 AM), http://www.forbes.com/sites/kathrynjudge/2020/04/20/the-design-flaw-at-the-heart-of-the-cares-act/#3aa984fe6bed [http://perma.cc/4RRS-C7QG].

82. *See* Eds. of Encyclopaedia Britannica, *Critical Race Theory*, BRITANNICA (Sept. 21, 2021), http://www.britannica.com/topic/critical-race-theory [http://perma.cc/UND6-PTXQ].

83. *See id.*

84. *See, e.g.*, Joseph Losavio, *What Racism Costs Us All*, FIN. & DEV. 32, 35 (2020), http://www.imf.org/external/pubs/ft/fandd/2020/09/pdf/the-economic-cost-of-racism-losavio.pdf [http://perma.cc/4KT3-XMUC].

85. *See* Marshall Project, *Police Brutality: A Curated Collection of Links*, http://www.themarshallproject.org/records/7-police-brutality [http://perma.cc/6VCG-U6Q8] (last updated Oct. 26, 2021, 4:22 PM).

86. Strand & Mirkay, *supra* note 31, at 271–75; *see also* Mary Meade & Sytonia Reid, *6 Reasons To Support Black-Owned Businesses*, GREEN BUS. NETWORK (Feb. 14, 2019), http://www.greenamerica.org/blog/6-reasons-support-black-owned-businesses [http://perma.cc/9SH2-KGRF] (highlighting that one of the reasons for the lack of generational wealth in the Black community is the historical suppression of Black-owned businesses).

87. *See* Kriston McIntosh, Emily Moss, Ryan Nunn & Jay Shambaugh, *Examining the Black-White Wealth Gap*, BROOKINGS (Feb. 27, 2020),

The differences between the amount of wealth among White and Black families in the United States are severe.[88] The median White family has over forty-one times more wealth than the median Black family.[89] Built upon the institution of slavery, nation-scale wealth-building initiatives have primarily benefited native- and foreign-born White people at the expense of Black people and other people of color.[90] Following Reconstruction's failures, public and private law generally excluded newly freed Black citizens from land grants despite providing White immigrants from Germany and other Scandinavian countries massive benefits.[91]

As the twentieth century progressed, federally supported investment in White neighborhoods—as opposed to Black and racially mixed neighborhoods—provided White Americans with an opportunity to build home equity and private wealth.[92] Federal policies such as Social Security[93] and the G.I. Bill[94] were primarily geared towards White citizens with resulting disadvantages to Black citizens.[95] This historical trend of excluding Black citizens from wealth-creating programs has had devastating consequences,[96] particularly during the economic devastation from the COVID-19 pandemic.

The United States' economy in the early twenty-first century focuses on "financial instruments and human capital."[97] Wealth transferred intergenerationally from older to younger generations relieves older generations from the burdens of aging, while at the same time providing a benefit to younger generations through education opportunity and financing.[98] These knowledge-economy forms of wealth manifest huge

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http://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap [http://perma.cc/PP4D-A5WQ].

88. *See Racial Economic Inequality*, INEQUALITY.ORG, http://inequality.org/facts/racial-inequality/#racial-wealth-divide [http://perma.cc/2X46-HG2Y] (last visited Nov. 1, 2021).

89. *See Wealth Inequality in the United States*, INEQUALITY.ORG, http://inequality.org/facts/wealth-inequality/#racial-wealth-divide [http://perma.cc/4AYC-JZH9] (last visited Nov. 1, 2021).

90. *See* Kimberly Amadeo, *Home Equity and the Racial Wealth Gap*, BALANCE (May 31, 2021), http://www.thebalance.com/how-home-equity-drives-the-racial-wealth-gap-4178236 [http://perma.cc/DKT8-GAJS].

91. *See* Keri Leigh Merritt, *Land and the Roots of African-American Poverty*, AEON (Mar. 11, 2016), http://aeon.co/ideas/land-and-the-roots-of-african-american-poverty [http://perma.cc/47YE-53GL].

92. *See* IRA KATZNELSON, WHEN AFFIRMATIVE ACTION WAS WHITE: AN UNTOLD HISTORY OF RACIAL INEQUALITY IN TWENTIETH-CENTURY AMERICA 138–40 (2005).

93. The Social Security Act of 1935, Pub. L. No. 74-271, 49 Stat. 620 (1935).

94. Servicemen's Readjustment Act of 1944 (G.I. Bill), Pub. L. No. 78-346.

95. Strand & Mirkay, *supra* note 31, at 271.

96. *See* Press Release, Econ. Pol'y Inst., Racism and Economic Inequality Have Predisposed Black Workers To Be Most Hurt by Coronavirus Pandemic (June 1, 2020), http://www.epi.org/press/racism-and-economic-inequality-have-predisposed-black-workers-be-most-hurt-by-coronavirus-pandemic/ [http://perma.cc/97XF-LJ5H].

97. Strand & Mirkay, *supra* note 31, at 275.

98. *See* John H. Langbein, *The Twentieth-Century Revolution in Family Wealth Transmission*, 86 MICH. L. REV. 722, 733–34 (1988).

racial disparities through financial assets such as pensions, access to high-quality education, mutual funds, stocks, and bonds.[99]

As of 2016, Black families enjoyed a significantly lower pension wealth cushion than White families—a cushion that could offset the costs of attending college for younger generations.[100] This difference, in turn, creates a lower return on investment for Black students who attend college than for White students.[101] Black students assume more debt to pay for college and obtain a median wealth return from a college education of $4,846, compared to $60,000 for White students whose families are more likely to benefit from a 529 savings account.[102]

3. Race and Fiscal Policy

Scholars have argued that the current structure of the Internal Revenue Code is a driver of systemic inequality and racialized effects in U.S. society.[103] In the 1970s, an anti-tax movement began in California that later spread across the nation after President Ronald Reagan's election in 1980.[104] The anti-tax movement was fueled in part by populist sentiments combined with racially coded language that attacked "welfare queens."[105] The White House's messaging warned White voters not to let their taxes support the needs of people of color.[106] This sentiment led to a systemic erosion of progressivity within federal, state, and local tax codes.[107]

Taxation in the United States has shifted toward regressive taxes on payroll and consumption—which primarily affect Black people—and away from progressive taxation of income.[108] Most people pay more payroll tax than income tax,[109] and only a select few pay the estate tax.[110] The estate and gift tax exemption increased more than

99. *See, e.g.*, Strand & Mirkay, *supra* note 31, at 275–77.

100. *See* Angela Hanks, Danyelle Solomon & Christian E. Weller, *Systematic Inequality: How America's Structural Racism Helped Create the Black-White Wealth Gap*, CTR. FOR AM. PROGRESS (Feb. 21, 2018, 9:03 AM), http://www.americanprogress.org/issues/race/reports/2018/02/21/447051/systematic-inequality/ [http://perma.cc/AV2P-U3WB].

101. Strand & Mirkay, *supra* note 31, at 277.

102. *Id.* at 276–77.

103. *See, e.g.*, Strand & Mirkay, *supra* note 31, at 278–83.

104. *See id.* at 291–92.

105. *Id.* at 291–93.

106. *See id.*

107. *See* Alexandra Thornton & Harry Stein, *Who Wins and Who Loses?*, CTR. FOR AM. PROGRESS (Oct. 22, 2015, 5:00 AM), http://www.americanprogress.org/issues/economy/reports/2015/10/22/123815/who-wins-and-who-loses/ [http://perma.cc/PN5R-BG7W] ("However, some of this progressivity is eroded by state and local taxes, many of which are regressive.").

108. *See* Strand & Mirkay, *supra* note 31, at 293.

109. *Id.*

110. *See* Ashlea Ebeling, *IRS Announces Higher 2019 Estate and Gift Tax Limits*, FORBES (Nov. 15, 2018, 12:07 PM), http://www.forbes.com/sites/ashleaebeling/2018/11/15/irs-announces-higher-2019-estate-and-gift-tax-limits/#5aad9bb74295 [http://perma.cc/T594-3PNY] (noting that estate and gift tax exemption for 2019 is $11.4 million per individual, up from $11.18 million in 2018).

$200,000 per individual, from $11.18 million in 2018 to $11.4 million in 2019—meaning that individual taxpayers do not pay a federal estate tax on money left to their heirs that is equal to or less than $11.4 million.[111] Due to the lack of revenue from taxes on wealth and the cost of tax expenditures on government, public services funded by federal tax dollars have suffered—primarily to the detriment of lower-wealth individuals.[112]

The TCJA did not address wealth inequalities—and thereby, racial inequalities—in the United States.[113] The core provisions of the TCJA primarily benefit White households in the top 1%; this sub-group received 23.7% of the law's total tax cuts.[114] Black and Latinx households are 1.3 times more likely to be in the bottom 60% of the income scale, while White households are three times more likely to be in the top 1%.[115] Therefore, most TCJA provisions benefit White people at the expense of Black people. For example, 11 million children in the lowest-income working families received no improvement in their child tax credit.[116] Additionally, the TCJA eliminated the child tax credit for hundreds of thousands of children identified as "Dreamers."[117]

The CARES Act provided a one-time cash payment of $1,200 to qualified individual taxpayers but in some ways it was detrimental to Black and Brown families.[118] Many Black and Brown families experienced significant delays in receiving their stimulus check.[119] Black and Brown people are more likely to be "unbanked" than White people, which means Black and Brown people are more likely not to have checking or savings accounts.[120]

Black and Brown businesses have disproportionately suffered as well. Only about one in ten businesses owned by Black or Latinx people received benefits from the Payroll Protection Program.[121] Black- and Latinx-owned businesses in the United States

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111. *Id.*

112. Strand & Mirkay, *supra* note 31, at 293.

113. *See* CHYE-CHING HUANG & RODERICK TAYLOR, CTR. ON BUDGET & POL'Y PRIORITIES, HOW THE FEDERAL TAX CODE CAN BETTER ADVANCE RACIAL EQUITY: 2017 TAX LAW TOOK STEP BACKWARD 21–22 (2019), http://www.cbpp.org/sites/default/files/atoms/files/7-25-19tax.pdf [http://perma.cc/N6DH-NLBK].

114. *Id.* at 3, 22.

115. *See id.* at 1, 9.

116. *Id.* at 3.

117. *See id.* at 3, 23 (noting that "Dreamers" are children with undocumented status whose parents brought them to the United States); *see also* CHUCK MARR & YIXUAN HUANG, CTR. ON BUDGET & POL'Y PRIORITIES, WOMEN OF COLOR ESPECIALLY BENEFIT FROM WORKING FAMILY TAX CREDITS 2 (2019), http://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits [http://perma.cc/9TSW-ZKH2] (explaining that seven million women of color benefit from the refundable component of the child tax credit).

118. *See* Anne Price & Jim Pugh, *The Next Pandemic Stimulus Bill Must Be Race-Conscious*, TIME (Sept. 4, 2020, 1:18 PM), http://time.com/5886002/next-stimulus-bill-race-conscious/ [http://perma.cc/TB2H-Z6SY] (explaining that the CARES Act overlooked "60% of Black and Latinx families [who] have no or limited access to banks . . . , undocumented [individuals], and those whose earnings are so low that they don't file taxes").

119. *See id.*

120. FED. DEPOSIT INS. CORP., 2017 FDIC NATIONAL SURVEY OF UNBANKED AND UNDERBANKED HOUSEHOLDS 2–3 (2018), http://www.fdic.gov/householdsurvey/2017/2017report.pdf [http://perma.cc/X5LY-PACA].

121. *See* Price & Pugh, *supra* note 118.

decreased by 41% and 32%, respectively, from February 2020 to April 2020.[122] These figures are higher than the national average of businesses lost during the COVID-19 pandemic.[123]

Finally, Black workers are more likely to be unemployed but less likely to receive unemployment benefits from the CARES Act because some states restricted access to those benefits.[124] The CARES Act may have been well intended,[125] but these statistics show disproportionate impacts from taxation policies at federal, state, and local levels.

B. *The Baby Bond Solution*

Economics Professors Darrick Hamilton of The New School and William Darity, Jr. of Duke University have proposed a universal public program to reduce generational wealth disparities that disproportionately impact Black people—that program involves baby bonds.[126] Their proposal calls for a trust fund for every newborn in the United States, which would become accessible when the child becomes a young adult at eighteen years old.[127] The amount each child would receive ranges from $500 to $50,000, "varying inversely with the net worth of the household at the child's birth."[128] In this manner, the purpose of disgorging funds is to ensure that the "greatest share of public resources [goes] to households with the greatest need."[129] The proposed total public expenditure is $80 billion per year, provided that four million babies are born annually in the United States.[130] This public program would reduce generational wealth disparities—largely predicated on race—at less than one-tenth of the annual cost of Social Security.[131]

Assistant Professor of Health Policy and Management Naomi Zewde, of the City University of New York, conducted a simulation using longitudinal data based upon the assertions by Hamilton and Darity.[132] The simulation showed that baby bonds (1) significantly narrow wealth inequalities, (2) improve the net asset position of young

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122. *Id.*

123. *Id.* (identifying the overall percentage of businesses lost, during the same timeframe, as 22%).

124. Ava Kofman & Hannah Fresques, *Black Workers Are More Likely To Be Unemployed but Less Likely To Get Unemployment Benefits*, PROPUBLICA (Aug. 24, 2020, 5:00 AM), http://www.propublica.org/article/black-workers-are-more-likely-to-be-unemployed-but-less-likely-to-get-unemployment-benefits?utm_source=sailthru&utm_medium=email&utm_campaign=majorinvestigations&utm_content=river [http://perma.cc/5Y7A-RXPW].

125. Price & Pugh, *supra* note 118.

126. Naomi Zewde, *Universal Baby Bonds Reduce Black-White Wealth Inequality, Progressively Raise Net Worth of All Young Adults*, 47 REV. BLACK POL. ECON. 3, 4 (2020).

127. *Id.*

128. *Id.*

129. *Id.*

130. *Id.* at 5.

131. Annie Lowrey, *A Cheap, Race-Neutral Way To Close the Racial Wealth Gap*, ATLANTIC (June 29, 2020), http://www.theatlantic.com/ideas/archive/2020/06/close-racial-wealth-gap-baby-bonds/613525/ [http://perma.cc/SZ7S-V84W].

132. Zewde, *supra* note 126, at 3.

adults, and (3) remedy asset concentration.[133] Her study found that young Black Americans have a median wealth of $2,900—one-tenth of the overall median.[134] Young White Americans have a median net worth of $46,000, which is fifteen times more than the Black American median.[135] Individuals with the lowest net worth would receive up to $50,000, and individuals with the highest net worth would receive at least $500, which ensures the program's regressivity.[136]

Professor Zewde posits that the results of her study show that White and Black Americans would be better off with universal baby bonds.[137]Although the racial disparity in wealth would still exist, its severity would substantially decrease as the baby bond program "reduce[s] the Black-White wealth disparity from a factor of 15.9 to 1.4."[138] The median young White adult would hold approximately $79,000 compared to $58,000 held by the median Black adult.[139] The universal bond program would raise the median net worth of young Black adults to nearly $60,000,[140] enhancing other facets of their lives.

Professor Zewde's simulation also shows that a universal baby bond program would dramatically reduce individuals' wealth concentration.[141] The wealthiest persons' wealth accumulation fell by 7%, while the least wealthy individuals were pulled out of debt and owned 0.5% of total wealth.[142] Professor Zewde argues that this 7% swing would have "meaningful" social, political, and economic implications.[143]

Although there is a tremendous upside to implementing a universal baby bond program, Professor Zewde does acknowledge that certain variables could hinder the program's success.[144] Black households may consume the asset "relatively quickly" because Black households are generationally disadvantaged.[145] Further, families may save less money knowing that their children will have access to a windfall later in life, which can hurt the family unit's long-term economic standing.[146] Other economic phenomena, such as the increasing cost of higher education and housing, may further reduce the utility of a universal baby bond program.[147]

133. *Id.*

134. *Id. But see* Greg Ip, *The Trouble With Taxing Wealth*, WALL ST. J. (Mar. 6, 2019, 9:22 AM), http://www.wsj.com/articles/the-trouble-with-taxing-wealth-11551882145 [http://perma.cc/T92D-B3X9] (discussing the hurdles with administering a wealth tax from a government perspective).

135. Zewde, *supra* note 126, at 11.

136. *Id.* at 8.

137. *Id.* at 11.

138. *Id.*

139. *Id.*

140. *Id.* at 14.

141. *Id.*

142. *See id.*

143. *See id.* at 14–15; *see also Rising Wealth Inequality: Causes, Consequences and Potential Responses*, *supra* note 30.

144. *See* Zewde, *supra* note 126, at 15.

145. *Id.*

146. *See id.* at 16.

147. *Id.*

Senator Booker proposed the American Opportunity Accounts Act[148] in 2018, which would "create and seed savings accounts for every American child."[149] Similar to the program proposed by Hamilton and Darity, Senator Booker's universal baby bond program is designed to decrease wealth inequality and support impoverished Black families.[150] However, instead of distributing resources based on household wealth, each account's fund allocation would be based on household income.[151] Moreover, children in families under the federal poverty line would receive annual payments of $2,000; once the child turns eighteen, they could have access to the accumulation of those funds—$46,215.[152] Eighteen-year-old children of those families 500% above the federal poverty line would have access to $1,681.[153] Table 1 demonstrates how payments per child would decrease as a household moves higher above the federal poverty line.[154]

TABLE 1: PAYMENTS PER CHILD AS RELATED TO A HOUSEHOLD'S INCOME

Income (% of FPL)	**Income for a family of four ($)**	**Supplemental payment amount ($)**	**Estimated account balance for an eighteen-year-old ($)**
<100	<25,100	2,000	46,215
125	31,375	1,500	35,081
175	43,925	1,000	23,948
225	56,475	500	12,815
325	81,575	250	7,248
>500	125,751	0	1,681
Source: Booker, Pressley Reintroduce "Baby Bonds" Legislation To Combat Wealth Inequality, CORY BOOKER (July 26, 2019), http://www.booker.senate.gov/news/press/booker-pressley-reintroduce-and-ldquobaby-bonds-and-rdquo-legislation-to-combat-wealth-inequality [http://perma.cc/DZ27-JLHW].			

148. American Opportunity Accounts Act, S. 3766, 115th Cong. (2018).

149. *Booker Announces New Bill Aimed at Combating Wealth Inequality*, CORY BOOKER (Oct. 22, 2018), http://www.booker.senate.gov/news/press/booker-announces-new-bill-aimed-at-combating-wealth-inequality [http://perma.cc/4KYP-Z7UV]; *see also* Adam Hayes, *Federal Poverty Level (FPL)*, INVESTOPEDIA (May 18, 2021), http://www.investopedia.com/terms/f/fpl.asp [http://perma.cc/CF4R-7QB6] (discussing how the federal poverty line is determined each year).

150. *See Booker Announces New Bill Aimed at Combating Wealth Inequality*, *supra* note 149.

151. *See id.*; *see also* Nicole Kaeding & Kyle Pomerleau, *Sen. Warren's Wealth Tax Is Problematic*, TAX FOUND. (Jan. 24, 2019), http://taxfoundation.org/warren-wealth-tax/ [http://perma.cc/BY2J-9L7D] (discussing that a wealth tax is hard to administer because the ultrawealthy have very hard-to-value assets and a wealth tax is a poorly targeted tax on capital).

152. *Booker Announces New Bill Aimed at Combating Wealth Inequality*, *supra* note 149; *see also* Jackie Burrell, *Laws To Remember When You Legally Become an Adult at 18*, VERYWELL FAM. (May 3, 2020), http://www.verywellfamily.com/happy-18th-birthday-new-adult-3570791 [http://perma.cc/F3S8-PKEQ] (discussing the legal ramifications that children face when they turn eighteen years old).

153. *Booker Announces New Bill Aimed at Combating Wealth Inequality*, *supra* note 149.

154. *Booker, Pressley Reintroduce "Baby Bonds" Legislation to Combat Wealth Inequality*, CORY BOOKER (July 26, 2019), http://www.booker.senate.gov/news/press/booker-pressley-reintroduce-and-ldquobaby-bonds-and-rdquo-legislation-to-combat-wealth-inequality [http://perma.cc/27QP-JELY].

This formula ensures the regressivity of the program that Hamilton, Darity, and Zewde have emphasized.[155] Further, Booker's proposal would disproportionately benefit children of color, as shown in Table 2.[156]

TABLE 2: AVERAGE ACCOUNT SIZE FOR CHILDREN BASED ON RACE/ETHNICITY

Race/ethnicity	**Average account size ($)**	**Share of children (%)**
White	15,790	50.9
Black	29,038	13.8
Hispanic	27,337	25.0
Source: Sarah Kliff, *An Exclusive Look at Cory Booker's Plan To Fight Wealth Inequality: Give Poor Kids Money*, VOX (Oct. 22, 2018), http://www.vox.com/policy-and-politics/2018/10/22/17999558/cory-booker-baby-bonds [http://perma.cc/P5G6-SRDM].		

C. *Core Tax Principles*

Traditionally, several "broad tax policy considerations" have guided the U.S. tax system.[157] Scholars typically view each of these principles as serving a foundational purpose of the tax code.[158] Scholars have suggested that such policy considerations should serve as "touchstones for policymakers and taxpayers everywhere."[159] These principles—neutrality, simplicity, transparency, and stability[160]—are the pillars that support the U.S. tax system.

1. Tax Neutrality

Some scholars suggest that taxation should neither encourage nor discourage the decisions of businesses and individuals.[161] Moreover, the goal of implementing tax-neutral legislation is not to distort the choices that entities would "otherwise make

155. *See* Zewde, *supra* note 126, at 8.

156. Sarah Kliff, *An Exclusive Look at Cory Booker's Plan To Fight Wealth Inequality: Give Poor Kids Money*, VOX (Oct. 22, 2018, 6:00 AM), http://www.vox.com/policy-and-politics/2018/10/22/17999558/cory-booker-baby-bonds [http://perma.cc/EWM9-3EPY].

157. OECD, ADDRESSING THE TAX CHALLENGES OF THE DIGITAL ECONOMY, ACTION 1:2015 FINAL REPORT, at 20 (2015), http://read.oecd-ilibrary.org/taxation/addressing-the-tax-challenges-of-the-digital-economy-action-1-2015-final-report_9789264241046-en#page1 [http://perma.cc/SEC7-Z4ZN].

158. *See id.* at 20–21.

159. *TaxEDU: Principles*, TAX FOUND. [hereinafter *Principles of Sound Tax Policy*], http://taxfoundation.org/principles/ [http://perma.cc/4RR8-59KN] (last visited Nov. 1, 2021).

160. *Id.*

161. *See id.*

for purely economic reasons."[162] Social waste is likely to occur if business entities are incentivized to change the form or substance of their tax activities.[163] Attorneys and accountants utilize legal methods to minimize the amount of tax owed by their clients, usually by claiming as many deductions and credits as possible.[164] All in all, the rationale behind this principle is that "tax [policy's primary purpose] is to raise revenue for governmental activities, rather than to influence business and personal decisions."[165]

However, other scholars argue that non-neutral tax policies are either unavoidable or potentially beneficial in deterring unwanted behavior and promoting desirable behavior.[166] For example, an unavoidable tax policy that deviates from neutrality is the notion that the market consumption of goods and services will be taxed, while time spent out of work will not be taxed.[167] As a result, individuals are incentivized to consume more leisure, leading to a reduced labor supply.[168]

Policymakers use non-neutral tax policies, such as tax expenditures, to incentivize homeownership, charity contributions, and higher education.[169] They also use non-neutral policies to disincentivize smoking and alcohol consumption.[170] Internal Revenue Code Section 199A[171] incentivizes career choice by "provid[ing] many owners of sole proprietorships, partnerships, S corporations and some trusts and estates, a deduction of income from a qualified trade or business."[172] Further, scholars suggest that policymakers who desire to change behaviors should implement refundable credits as opposed to deductions because refundable credits "provide[] the same tax subsidy regardless of one's tax bracket."[173]

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162. JASON FURMAN, THE CONCEPT OF NEUTRALITY IN TAX POLICY 2 (2008), http://www.brookings.edu/wp-content/uploads/2016/06/0415_tax-_neutrality_furman-1.pdf [http://perma.cc/M3ZC-Y32S].

163. *Id.*

164. Julia Kagan, *Tax Avoidance*, INVESTOPEDIA, http://www.investopedia.com/terms/t/tax_avoidance.asp [http://perma.cc/F9PV-K8KP] (last updated Apr. 30, 2021).

165. ASS'N INT'L CERTIFIED PUB. ACCTS., GUIDING PRINCIPLES OF GOOD TAX POLICY: A FRAMEWORK FOR EVALUATING TAX PROPOSALS 9 (2017), http://www.aicpa.org/advocacy/tax/downloadabledocuments/tax-policy-concept-statement-no-1-global.pdf [http://perma.cc/4BG5-ZZR6].

166. FURMAN, *supra* note 162, at 1–2.

167. *See id.* at 2.

168. *Id.*

169. *Id.*

170. *Id.*

171. I.R.C. § 199A.

172. *Tax Cuts and Jobs Act, Provision 11011 Section 199A - Qualified Business Income Deduction FAQs*, INTERNAL REVENUE SERV., http://www.irs.gov/newsroom/tax-cuts-and-jobs-act-provision-11011-section-199a-qualified-business-income-deduction-faqs [http://perma.cc/DDV9-EA53] (last updated Mar. 26, 2021); *see also* Len Nitti, *Which Businesses Are Considered a Specified Service Trade or Business?*, WILKINGUTTENPLAN (Nov. 15, 2018), http://www.wgcpas.com/989-which-businesses-are-considered-a-specified-service-trade-or-business/ [http://perma.cc/BF5A-FCNZ] (discussing the qualified trade or business provision within the § 199A deduction, which applies to individual taxpayers who have a certain amount of qualified business income).

173. FURMAN, *supra* note 162, at 4.

2. Tax Simplicity

Another principal foundation of tax policy is that "[t]ax codes should be easy for taxpayers to comply with and for governments to administer and enforce."[174] By committing to simplicity within the tax code, taxpayers and tax authorities can ensure that the tax system operates effectively.[175] For example, the TCJA doubled the standard deduction and restricted many itemized deductions through 2025, which the Joint Committee on Taxation believes has resulted in approximately 30% fewer filers itemizing.[176] This policy change has reduced the complexity for taxpayers who no longer need to track their itemized deductions through the taxable year.[177] Therefore, the administrative costs of implementing tax policy are reduced, greater clarity is provided to taxpayers, and the amount of course correction necessary because of unintended consequences is reduced.[178]

The American savings account system is an overwhelmingly complex area of U.S. tax policy.[179] Savings accounts and investments have declined dramatically in the past fifty years; as a result, Americans are ill-equipped to respond to adverse financial conditions.[180] Although there are other economic factors at play,[181] some scholars argue that Americans are primarily discouraged from saving because of complicated rules,

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174. *Principles of Sound Tax Policy*, *supra* note 159.

175. JASON PIPER, ACCA, SIMPLICITY IN TAX (2020), http://www.accaglobal.com/ubcs/en/technical-activities/technical-resources-search/2013/november/simplicity-in-the-tax-system.html [http://perma.cc/Z9RE-2DUG] (choose "Simplicity in tax" under "Read this report and related content"); *see also* Scott Greenberg, *Reforming the Pass-Through Deduction*, TAX FOUND. (June 21, 2018), http://taxfoundation.org/reforming-pass-through-deduction-199a/ [http://perma.cc/GTD5-U8G8] (arguing § 199A is too complicated because it forces taxpayers to learn new concepts rather than basing the rules of the deduction off existing, well-defined tax concepts).

176. *Principles of Sound Tax Policy*, *supra* note 159; *Tax Policy Center Briefing Book: Key Elements of the U.S. Tax System*, TAX POL'Y CTR. [hereinafter TAX POL'Y CTR., *Key Elements*], http://www.taxpolicycenter.org/briefing-book/how-did-tcja-change-standard-deduction-and-itemized-deductions [http://perma.cc/8ZSY-QC7A] (last visited Nov. 1, 2021).

177. *See Principles of Sound Tax Policy*, *supra* note 159 (highlighting that individuals spent 2.6 billion hours complying with IRS tax filing requirements in 2016).

178. PIPER, *supra* note 175, at 7; *see also* Kori Hale, *Why Taxes Continue To Be a Sunken Place for African Americans*, FORBES (July 15, 2020, 10:15 AM), http://www.forbes.com/sites/korihale/2020/07/15/why-taxes-continue-to-be-a-sunken-place-for-african-americans [http://perma.cc/J5UU-FSCK] (discussing the fact that many Black individuals are at disservice due to the complexity of the filing process of the individual tax system).

179. *See* Robert Bellafiore, *The Case for Universal Savings Accounts*, TAX FOUND. (Feb. 26, 2019), http://taxfoundation.org/case-for-universal-savings-accounts/ [http://perma.cc/A93R-FENE] ("There are 15 types of retirement accounts, each with an array of restrictions and requirements. Many of these categories are further split into subcategories, each with its own rules, including employer and individual contribution limits, tax deduction limits, and guidelines for when savers can or must make withdrawals. Some plans are restricted to firms with a certain number of employees, while others are available generally; all plans have unique eligibility requirements based on factors such as age and time at a firm.").

180. *See id*.

181. *See, e.g.*, Drew Desilver, *For Most U.S. Workers, Real Wages Have Barely Budged in Decades*, PEW RSCH. CTR. (Aug. 7, 2018), http://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-for-decades/ [http://perma.cc/S9VF-MVHN].

multiple tiers of taxation, and dense regulations that limit the scope of savings.[182] In a survey asking individuals why they do not have an Individual Retirement Account, 45% of respondents said they either do not know enough about those types of accounts or thought they were too confusing.[183] Critics of the current savings system have called for universal savings accounts to be available for everyone, taxed either at the time of contribution or withdrawal, and for the contributions to be invested in securities that provide a return over time.[184]

3. Tax Transparency

Tax transparency generally serves two fundamental purposes: democratic governance and accountability.[185] Transparency allows an informed public to enter the tax policy debate forum with sufficient knowledge regarding the government's actions instead of mere speculation.[186] Further, accountability disincentivizes governments from engaging in "bribery, rent-seeking, regulatory capture, and 'other forms of governmental misbehavior.'"[187] Ultimately, transparency allows the public to ensure elected officials are held accountable for their decisions and actions.[188]

Tax policy is usually constructed to be as transparent as possible for taxpayers so they know what to pay the government and when they must pay it.[189] Further, any changes that occur within the tax code are, ideally, made cautiously and with substantial input during open hearings.[190] An example of taxes that are not transparent are gross receipts taxes, which cause the same good to be taxed multiple times during production.[191] The tax burden on the good is hidden within the final price of the good, and the effective rate that consumers pay is always higher than the rate that policymakers set for the gross receipt.[192]

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182. *See* Bellafiore, *supra* note 179.

183. *See* TIAA, 2017 TIAA IRA SURVEY: EXECUTIVE SUMMARY 3 (2017), http://www.studentfinancialsuccess.org/public/pdf/ira_survey_executive_summary.pdf [http://perma.cc/38ED-7ATJ].

184. *Principles of Sound Tax Policy*, *supra* note 159.

185. Joshua D. Blank, *The Timing of Tax Transparency*, 90 S. CAL. L. REV. 449, 459 (2017).

186. *Id.*

187. *Id.* (quoting Frederick Schauer, *Transparency in Three Dimensions*, 2011 UNIV. ILL. L. REV. 1339, 1349 (2011)).

188. *Id.*

189. *See Principles of Sound Tax Policy*, *supra* note 159.

190. *See id. But see* C. Eugene Steuerle, *The TCJA Will Create More Complexity for Taxpayers than It Claims*, TAX POL'Y CTR. (Jan. 5, 2018), http://www.taxpolicycenter.org/taxvox/tcja-will-create-more-complexity-taxpayers-it-claims [http://perma.cc/5JEU-VCK2] (discussing the fact the TCJA was passed through Congress in less than two months, which resulted in the bill's pass-through provisions not being critically examined by the Joint Committee on Taxation, the Internal Revenue Service, and the Department of Treasury).

191. *See* Garret Watson, *Resisting the Allure of Gross Receipts Taxes: An Assessment of Their Costs and Consequences*, TAX FOUND. (Feb. 6, 2019), http://taxfoundation.org/gross-receipts-tax/ [http://perma.cc/82R5-XSWD].

192. *See id.*

Housing policy—which is impacted by and carried out through the tax code—provides another example in which transparency is lacking.[193] One of the consequences of the TCJA is that taxpayers can claim a maximum deduction of $10,000 for state and local taxes they have paid.[194] This provision will expire in 2025 if Congress does not extend it,[195] but scholars suggest that those in favor of uncapping the deduction will need to engage in a "transparent policymaking process."[196] This suggestion, they argue, is because an unlimited state and local tax deduction would be "an example of federal tax policy fueling inequality and social division."[197]A transparent policymaking process—resembling a similar function to that undertaken by the Joint Committee on Taxation[198]—would allow taxpayers to understand the adverse effects of repealing the cap on the state and local tax deduction.[199] The ultimate goal of a tax policy founded in transparency is to build the public's trust in the government.[200]

4. Tax Stability

Stability within the tax code provides consistency and predictability for taxpayers.[201] Governments undermine this principle when they enact temporary or retroactive changes to tax laws.[202] Permanent tax policies promote stability, which allows more substantial economic gains in the long term.[203]

The TCJA only temporarily allowed businesses to fully and immediately deduct their capital investments.[204] While this temporary tax policy benefits the economy in the

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193. *See* Wallace, *supra* note 48, at 1251.

194. TAX POL'Y CTR., *Key Elements*, *supra* note 176.

195. *See id.*

196. Wallace, *supra* note 48, at 1251.

197. *Id.*

198. *See id.* at 1254–55 n.105.

199. *See id.* at 1251.

200. *See* Roxanne Bland, *The Importance of Transparency in Government*, TAX NOTES (Apr. 4, 2019), http://www.taxnotes.com/special-reports/transparency/importance-transparency-government/2019/04/04/299lt [http://perma.cc/9GRD-PZ62].

201. *See Principles of Sound Tax Policy*, *supra* note 159; *see also* Christian E. Weller, *African Americans Face Systematic Obstacles To Getting Good Jobs*, CTR. FOR AM. PROGRESS (Dec. 5, 2019, 9:03 AM), http://www.americanprogress.org/issues/economy/reports/2019/12/05/478150/166frican-americans-face-systematic-obstacles-getting-good-jobs/ [http://perma.cc/7875-8MAF] (detailing that many African Americans struggle to close the racial wealth gap due to job instability, which also includes pay inequalities and fewer employer-provided benefits).

202. *See Principles of Sound Tax Policy*, *supra* note 159.

203. *See id.*; *see also ABA Supports Bill To Make 199A Tax Deduction Permanent for S-Corps*, ABA BANKING J. (Apr. 11, 2019), http://bankingjournal.aba.com/2019/04/aba-supports-bill-to-make-199a-tax-deduction-permanent-for-s-corps/ [http://perma.cc/A2AG-7FH4] (discussing that the ABA supports eliminating the sunset provisions of § 199A because doing so would lead to "higher economic growth and more employment").

204. *See* TAX POL'Y CTR., *Key Elements*, *supra* note 176.

short term, many scholars are concerned that once the policy expires, there will be less growth of gross domestic product.[205]

Several state legislatures have the power to enact retroactive tax legislation to compensate for fiscal budget constraints, much to the chagrin of business leaders and scholars.[206] This means that legislators can overturn litigation results they do not like by statute, preventing their constituents from adequately planning their lives.[207] Stability within the tax code promotes efficiency and prosperity in the economy, and it allows for the effects of the other tax principles to be fully maximized.

III. Discussion

Wealth inequalities in the United States today have become omnipresent in our society, particularly in the lives of Black people.[208] Fiscal policies such as the TCJA and the CARES Act have only increased these inequalities.[209] Professors Hamilton, Darity, and Zewde have advocated for a baby bond program, which would provide universal savings accounts (including prorated yearly allotments) to every child in the United States.[210] For such a program to become a reality, and to meet the needs of the least among us, the principles that underlie the administration of the U.S. tax code must be incorporated into any proposed baby bond program.

Effecting the baby bond proposal through the principles of the U.S. tax code is an enormous undertaking. However, monumental shifts in fiscal policies—such as those accomplished in the TCJA and the CARES Act—have shown Congress to be capable of enormous undertakings. The U.S. tax code provides a framework of comprehensive principles—neutrality, simplicity, transparency, and stability—that would allow a baby bond proposal to shrink the wealth gap considerably.[211] This in turn would provide tremendous relief to future generations of Black Americans.[212]

This Section proceeds in four Parts. Part A argues that tax neutrality principles should accompany the baby bond proposal by requiring recipients to (1) graduate high school and (2) either enter a specified trade or business or attend a two- or four-year accredited institution. Part B posits that any baby bond proposal must establish itself in tax simplicity principles by ensuring that historically marginalized groups understand the proposal and all it entails. Part C argues that for the baby bond proposal to succeed, tax transparency principles must also be incorporated so that public trust in the program will be strong and recommendations on how to improve the program will be heard. Lastly, Part D advocates that any baby bond program must be rooted in principles of tax stability

205. *See, e.g.*, Scott A. Hodge, *Testimony: The Positive Economic Growth Effects of the Tax Cuts and Jobs Act*, TAX FOUND. (Sept. 6, 2018), http://taxfoundation.org/tcja-economic-growth-effects-testimony/ [http://perma.cc/4B6W-LE7E].

206. *See* Roxanne Bland, *No Love for Retroactive Tax Legislation*, FORBES (July 14, 2020, 9:55 AM), http://www.forbes.com/sites/taxnotes/2020/07/14/no-love-for-retroactive-tax-legislation/#5151890d3278 [http://perma.cc/57W4-DC4S].

207. *See id.*

208. *See supra* Part II.A.2.

209. *See supra* Part II.A.1.

210. *See supra* Part II.B.

211. *See supra* Part II.B.

212. *See supra* Part II.A.

to ensure that families most in need reap the greatest benefit from the program. Such stability would ensure long-term success for historically marginalized communities.

A. The Baby Bond Solution and Tax Neutrality

While the enactment of Hamilton and Darity's ambitious baby bond program would help alleviate wealth disparities in the United States, guardrails need to be put in place to ensure specific behavior from recipients. The U.S. government should rely on tax neutrality principles to incentivize recipients to meet specific requirements. These requirements would act as limiting principles on such an ambitious and revolutionary project. Any baby bond proposal adopted by Congress should include requirements that a recipient (1) graduate high school and (2) either enter a specified trade or business or attend a two- or four-year accredited institution.

1. High School Graduation Requirement

For an individual to gain access to their baby bond account, recipients should be required to submit proof of high school graduation. The importance of this requirement serves two tax neutrality purposes: (1) to maintain the importance of K–12 education, and (2) to ensure that most recipients would be at least eighteen years old when they receive the benefit of the bond.

Education has many predeterminate effects on "whether individuals marry, whether their children grow up in households with two parents, and even how long they will live."[213] Individuals who complete high school make the United States more prosperous, meaning more Americans will likely share in the economy's bountifulness.[214] Individuals who have less education have, on average, a lower lifetime earning potential and a decreased opportunity to receive the maximum benefit possible from the American economic system.[215]

The proposed high school graduation requirement would soften the racial differences in educational achievement between Black and White Americans.[216] Despite the lack of evidence that there is a significant difference in cognitive abilities between Black and White students, Black students achieve lower test scores than their White counterparts in kindergarten.[217] Black students are more likely to steadily fall behind and drop out of high school, resulting in a society where opportunities are not equally distributed.[218] Therefore, the full potential of the workforce is not realized.

The proposed high school requirement would also correlate with the legal responsibilities that eighteen-year-olds already face.[219] Individuals who become eighteen

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213. GREENSTONE ET AL., A DOZEN ECONOMIC FACTS, *supra* note 42, at 1.

214. *Id.*

215. *See id.* at 5 ("[A]lmost 80 percent of high school dropouts made less than $30,000 in 2010. Among college graduates, on the other handed [sic], the cutoff for the 80th percentile of earners was around $100,000.").

216. *See id.*

217. *See id.* at 10.

218. *See id.* at 10, 12.

219. *See* Burrell, *supra* note 152.

can vote, buy a home, and get married without restriction in most states.[220] However, some consequences of turning eighteen include liability for lawsuits, harsher and stricter punishments for crimes, and (for men) mandatory registration with the Selective Service System.[221] Since most high school graduates are at least eighteen years old, a baby bond windfall bestowed upon them at this age would coincide with the bestowment of other rights and responsibilities.[222]

2. A Qualified Trade or Business Option

The second requirement for individuals to gain access to their baby bond savings account would be to attend a two- or four-year accredited institution[223] or enter a trade or business that is not included in I.R.C. § 199A(d)(2). The deduction allowed to certain business owners under Section 199A does not apply to business owners who are in a specified service trade or business or "those performing services as an employee."[224] The specified service trade or business exception excludes many professional services businesses, including accounting, legal, health, actuarial science, performing arts, financial, and brokerage services.[225] Further, two catchall provisions exclude service companies that specialize in consulting and "any trade or business where the principal asset is the reputation or skill of 1 or more of its employees or owners."[226] These provisions are meant to exclude government lobbyists, entertainers, and celebrities—individuals who rely on their likeness for a source of income.[227]

The standards laid out for a "qualified trade or business" should apply to the baby bond proposal. Having this qualified trade or business requirement would foster personal responsibility and ensure that individuals who receive these funds contribute to the economy in a meaningful way. Not all young individuals prefer to attend college but may instead prefer to enter a trade or business that suits their needs. This provision would encompass those individuals who wish to pursue their entrepreneurial endeavors. Individuals who wish to pursue their pioneering ideas are as important to society as those who wish to further their education.

This requirement would also incentivize the creation of Black- and minority-owned businesses, which provide external benefits that include helping to close the racial wealth gap.[228] Incentivizing young Black individuals to start a qualified trade or business would eventually lead those individuals to accumulate savings, own property, build strong credit, and, most importantly, build generational wealth.[229] Further, given the current

220. *Id.*
221. *Id.*
222. *See id.*
223. *See infra* Part III.A.3.
224. Nitti, *supra* note 172.
225. *See id.*
226. *See id.*
227. *Id.*
228. *See* Meade & Reid, *supra* note 86.
229. *See id.*

state of housing policies,[230] encouraging the creation of Black-owned businesses would strengthen local economies by increasing property values and attracting investors who provide the necessary capital to rebuild neglected areas.[231] An increase in Black-owned businesses would lead to more job creation and decrease Black unemployment. In 2018, Black unemployment was at 6.6%—almost double the rate for White Americans.[232]

3. Attend a Two- or Four-Year Accredited Institution Option

An alternative to entering a qualified trade or business upon high school graduation is to enroll in an accredited two- or four-year institution. There are many policy rationales for requiring individuals to attend a two- or four-year accredited institution. Not only do college graduates generally earn more than noncollege-educated people[233] but they are more likely to be married and raise a child outside of poverty.[234]

Further, the United States must regain its position as a world leader in terms of having the most educated workforce.[235] Since the 1980s, the American workforce's college completion rates have stagnated, while countries like South Korea, Japan, France, and Ireland have seen record increases in college completion rates.[236] An attendance requirement would encourage individuals to think and plan their academic careers and would increase overall college attendance.

Requiring baby bond recipients to attend college increases the probability that they will earn more money and create a stronger familial unit later in life.[237] The requirement would give young adults the capability to attend college and receive a massive endowment in the process, which could prove critical for paying off tuition, debt, and other expenses that make college difficult for many to access. Further, this provision would ensure the principle of personal responsibility and encourage those who receive funds to contribute as a meaningful member of society.

The college attendance requirement would also disproportionately benefit Black Americans. Unfortunately, colleges and universities across the United States have seen a significant decline in the enrollment of Black students.[238] Since the 2014–2015 academic year, the number of Black students enrolling in U.S. colleges has decreased by approximately 200,000.[239] This enrollment trend could be reversed by having a college attendance requirement to receive baby bond account funds. The baby bond solution would fundamentally shift the economic standings of millions of Americans, particularly Black Americans. The guardrails would ensure that the funds are used appropriately and effectively by young adults.

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230. *See* TAX POL'Y CTR., *Key Elements*, *supra* note 176.
231. *See* Meade & Reid, *supra* note 86.
232. *Id.*
233. GREENSTONE ET AL., A DOZEN ECONOMIC FACTS, *supra* note 42, at 1.
234. *Id.* at 7.
235. *See id.* at 2.
236. *See id.* at 9.
237. *See id.* at 1, 7, 12.
238. Miller, *supra* note 40.
239. *Id.*

B. The Baby Bond Solution and Tax Simplicity

The baby bond proposal should be grounded in the principle of tax simplicity so that it would be "easy for taxpayers to comply with and for governments to administer and enforce."[240] For example, the Department of Treasury could create a universal savings account once a child is born within the United States and receives either a Social Security card or an Individual Taxpayer Identification Number. This universal savings account could be disbursed at or around the time that the child graduates high school.

The baby bond model proposed by Senator Booker—which relies on the taxpayer's gross income in relation to the federal poverty line[241]—ensures tax simplicity. The federal poverty line is determined annually by the Department of Health and Human Services,[242] which delivers digestible information on poverty compared to the opaque rules and regulations of the current U.S. savings system.[243] Also, from an administrative perspective, taxpayers' gross incomes are easier to calculate and track than taxpayer wealth.[244]

A baby bond solution grounded within tax simplicity principles will significantly offset the burden costs among Black Americans who endure a complicated tax filing process. For example, the Internal Revenue Service conducts a substantially higher percentage of audits in low-income areas—where Black populations are disproportionately high, and the use of the Earned Income Tax Credit[245] is supposedly more frequent.[246] Further, for-profit tax preparation services like H&R Block and Intuit rely on a complicated tax system to ensure their bottom line—the total revenue from both companies for the 2018 fiscal year exceeded $9 billion.[247] If the tax code was not so complex, fewer Americans would need to turn to these companies for assistance in filing their taxes. These companies ensured their market dominance and suppressed many Black Americans' economic position by lobbying for the 2019 Taxpayer First Act,[248] which prohibits the Internal Revenue Service from creating a free online filing system.[249]

C. The Baby Bond Solution and Tax Transparency

For the baby bond proposal to be effective and receive the public's trust, it must conform with the principle of tax transparency. Unlike the TCJA, the proposal's

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240. *Principles of Sound Tax Policy*, *supra* note 159.

241. See *supra* notes 148–156 and accompanying text for a more in-depth explanation of Senator Booker's model.

242. *See* Hayes, *supra* note 149.

243. *See Principles of Sound Tax Policy*, *supra* note 159.

244. *See* Ip, *supra* note 134.

245. The Earned Income Tax Credit provides a tax break for low- to moderate-income workers and families. *Earned Income Tax Credit (EITC)*, INTERNAL REVENUE SERV., http://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit-eitc [http://perma.cc/R64Z-XRHX] (last updated Aug. 25, 2021).

246. *See* Hale, *supra* note 178.

247. *Id.*

248. Pub. L. No. 116-25, 133 Stat. 981 (2019).

249. Hale, *supra* note 178.

provisions must be substantially vetted by Congress, the Internal Revenue Service, the Department of Treasury, and the public at large before being signed into law. Congress should pass the legislation in a reasonable timeframe—not in under two months like the TCJA.[250] Moreover, representative ethnic bodies such as the Congressional Black Caucus, Congressional Hispanic Caucus, and Congressional Asian Pacific American Caucus should lead the vetting of any baby bond program proposal as it works through the legislative process, since any such program will have a disproportionate impact on minority groups.[251]

Representatives from the Department of Treasury, Internal Revenue Service, and the Department of Health and Human Services should provide yearly reports to Congress to ensure the program's success. In this yearly report, agencies should provide the necessary data and recommendations to keep Congress informed on how to improve the allotment of funds to the universal savings accounts. This information would be critical to the public, as it is ultimately the people who need to use this information in public discourse and in holding their political representatives accountable.

Whenever recommendations are given and improvements are needed, Congress needs to conduct hearings for any substantial changes it intends to make. A sixty-day public comment period should be required before enacting any changes. Any quick, substantive policy reform is likely to be viewed by the American public as having been pushed through because of unsavory motivations of interest groups or politicians. A statutorily designated timeframe for policy changes encourages fruitful thinking and avoids whimsical changes to pieces of any enacted baby bond program. These safeguards will convey to taxpayers that the policy proposal is transparent, and that no information is being withheld from the public.

Having a baby bond proposal sufficiently rooted in tax transparency principles will also increase the Black community's trust in government. A transparent implementation of the baby bond proposal can help heal the tumultuous relationship the Black community has with the U.S. government.[252] The Black community will disproportionately benefit from a baby bond policy due to the economic position of millions of Black Americans.[253] This creates an opportunity for the U.S. government to build goodwill with future generations of Black Americans.

D. *The Baby Bond Solution and Tax Stability*

A baby bond program would require stability and continuity to be a successful long-term solution to the systemic problem of the wealth gap. The program's benefits would not be objectively determinable until at least eighteen years after its implementation and would require oversight from nine sessions of Congress and a minimum of three different presidents. It is essential that, unlike Section 199A of the

250. *See* Steuerle, *supra* note 190.

251. See *supra* Part II.A.2 for an analysis of the generational wealth inequality experienced by Black Americans.

252. *See* Eds. of Encyclopaedia Britannica, *supra* note 82.

253. See *supra* Part II.A.2 for an analysis of the generational wealth inequality experienced by Black Americans.

U.S. tax code,[254] the baby bond program is permanent. Permanent statutes provide economic stability and the ability for long-term planning for communities that are at a disadvantage.[255]

Many Black Americans will benefit immensely from a long-term program such as the baby bond proposal (which can be relied upon and adequately planned for) because Black Americans already face significant economic instability. Black Americans "face more impediments to finding work than is the case for white workers."[256] Since Black Americans disproportionately struggle to secure jobs that pay a living wage compared to similarly skilled White Americans, many Black Americans' ability to invest in their future is inhibited.[257]

By having a looming bestowment in the form of a baby bond, Black Americans may experience a mitigation of the effects of economic instability. Ensuring that the baby bond program is permanent (or better yet, apolitical) will allow Black Americans to plan and prepare to overcome some institutional hurdles imposed on them by generations of discrimination and pay inequalities in the workplace.[258]

IV. CONCLUSION

Black Americans primarily shoulder the brunt of the wealth gap in the United States.[259] The wealth gap has steadily risen for decades,[260] and the TCJA and the CARES Act have not adequately addressed the wealth inequalities in the United States. In fact, both have worsened the problem.[261]

It is imperative that any baby bond program ground itself within tax policy principles and include a high school graduation requirement and a college attendance or trade or business requirement. There are no signs of the wealth gap closing any time soon, but Congress should act sooner rather than later so that, figuratively and literally, the baby bond program pays dividends for families like the McGowans.

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254. I.R.C. § 199A.

255. *See supr*a Part II.C.4.

256. Weller, *supra* note 201, at 5.

257. *Id.* at 5–6.

258. See *supra* Part II.A.2 for an analysis of the generational wealth inequality experienced by Black Americans.

259. *See* INEQUALITY, *supra* note 88 (detailing the "'wealth divide' between white households and households of color" and noting that a larger percentage of Black households have zero or negative wealth than Hispanic or other non-White households).

260. *See* Emmanuel Saez & Gabriel Zucman, *Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data*, 131 Q. J. ECON. 519, 519 (2016).

261. See *supra* Part II.A.1 for an analysis of the effect of tax policies on wealth inequalities.