FISCAL CHALLENGE 2021
TEAM 127
CURRENT SITUATION

SIGNIFICANT RACIAL WEALTH GAP

- Racism and inequity has cost the US economy $16T since the year 2000
- Closing the racial wealth gap can add $5T to the economy in 5 years, and increase GDP by 4 to 6% by 2028

Sources: McKinsey, Federal Reserve, Urban Policy Institute, Citigroup
PLUS ULTRA

“Further Beyond”
01 Tax Reform
02 Health & Environment
03 Social Mobility
Tax Reform

Value Added Tax & Rebate

Social Security Reform

Marijuana
VAT WITH REBATE

- 10% phased in **Value Added Tax**
  - Beginning at 5%, increasing by 1% every year until it reaches 10%
- **168 countries** already have a Value Added Tax
- **Small business exemption** for over 43 million businesses with up to $200,000 in gross receipts per year
- Dividend more than offsets the cost of the tax for houses under the poverty line

Sources: Brookings, Hamilton Project

30 year effect: Debt -$19T
Progressive After-Tax Income Effects

- Lowest 20% of Household Income: Increase by 17%
- Higher Household Income: Decrease by 7.5%

30 year effect: Debt -$19T

Sources: Brookings, Hamilton Project
The VAT relies on self-reporting while not being equipped to identify fraudulent tax invoices.

The immutability and transparency of blockchain make it impossible to alter or hide invoices.

Sources: Journal of Open Innovation, Bloomberg Tax, PwC, Microsoft

30 year effect: Negligible
SS Trust Fund expected to be insolvent by 2035 after which benefits can no longer be fully paid

Change Maximum Taxable Income

- Subject income over $250k to same taxes as income below the maximum level
- Only affects top 3% of households
- Ensures long-term funding for Social Security

Sources: CBO, Social Security Administration
LEGALIZE MARIJUANA

- Legalize use of recreational marijuana on a federal level
- Full legalization in all 50 states would create 1 million jobs by 2025
- Create more equity in the criminal justice system

Introduce a Weight Tax

- $50 per oz tax on marijuana

Sources: New Frontier Data, ACLU
Taxes

SUMMARY

Change in Debt
- $25T

Change in GDP
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Change in Ratio
-73%
Health & Environment

Medicare Reform
Carbon Tax
Repeal Fossil Fuel Subsidies
MEDICARE

Raise Medicare Eligibility Age from 65 to 67

A Hospital Coverage
  Limit Medical Malpractice Claims

B Medical Coverage
  Eliminate Bonuses

C Private Coverage
  Minimum Rebate on D Covered Drugs

D Prescription Coverage
  Expand Medicaid Drug Rebates to Medicare

Sources: CBO
<table>
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<th>Part</th>
<th>Description</th>
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| A     | Limit Medical Malpractice Claims  
  ● Reduces insurance premiums |
| C     | Eliminate Bonuses  
  ● Eliminates current outsized benefit to private insurers |
| D     | Expand Medicaid Drug Rebates to Medicare  
  ● Allows for saving on insurance premiums on costly drugs  
  Minimum Rebate on Part D Covered Drugs  
  ● Reduces efficacy of price hikes |
| All Parts | Raise Medicare Eligibility Age from 65 to 67  
  ● Likely not in need of care until older |

30 year effect: Debt -$9.1T
$30 per ton carbon tax, rising at 5% above inflation through 2051

Addressing Second Order Effects

- One time payment to displaced American coal miners ($13B total one-time payment)
- Use 15% of the tax revenue to offset price increases for households below 150% of the poverty line through tax credits
REPEAL OIL & GAS TAX BREAKS

Sources: CBO

30 year effect: Debt -$2.3T
SUMMARY

Health & Environment

Debt to GDP Ratio

Original (195%)
Taxes (122%)
Health & Environment (85%)

Change in Debt
-$12.9T

Change in GDP
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Change in Ratio
-37%
Social Mobility

American Opportunity Accounts
Community Development
Universal Pre-Kindergarten
Visa Reform
$1,000 investment accounts for each child born in the United States, with tiered annual contributions up to $2,000 based on family income

At age 18 the Opportunity Accounts can be accessed and used for:

- School Tuition
- ROTH IRA
- Startup Funding
- Real Estate

Sources: Columbia Poverty Center, Review of Black Political Economy
AMERICAN OPPORTUNITY ACCOUNTS

Lower the racial wealth gap by 40%

Raise net worth of all young adults

Significant long-term productivity benefits

Sources: Columbia Poverty Center, Morningstar

30 year effect: Debt +$1.8T
COMMUNITY DEVELOPMENT

- Shortage of affordable housing costs $2 trillion annually in lower wages and productivity
- Food insecurity costs $160 billion annually in healthcare costs

Finance Housing & Communities

- $480 billion to the Housing Trust Fund, Capital Magnet Fund, and the creation of housing grants
- $30 billion to the Healthy Food Financing Initiative

30 year effect: GDP: +16.5%

Sources: The Housing Trust Fund, National Low Income Housing Coalition, Journal of Economic Perspectives
UNIVERSAL PRE-KINDERTGARTEN

- Boost educational achievement, create more equitable growth, and raise living standards
- Modeled after the “Preschool for All” initiative from the Obama administration

**Expand Universal Pre-K**

- Enroll all four year olds from low and moderate income households into high quality preschool programs

**30 year effect:** GDP: +0.6%

Sources: Washington Center for Equitable Growth, U.S. Department of Education
SKILLS VISA REFORM

Expand the limit of permanent and temporary visas for highly skilled workers (H1-B)

H-1B Petitions vs. Annual H-1B Cap

Sources: CBO, Wharton
SKILLS VISA REFORM

Yearly H-1B visas
65,000 → 150,000

Direct:
- Increases quality workers in US
- Increases US underemployment

Indirect:
- Increases taxes from corporate profits, housing, and healthcare
- Increases corporate profits & keeps corporations in the US

Impacts...

Sources: CBO, Wharton

30 year effect: Debt -$1.2T
Social Mobility

SUMMARY

Change in Debt
- $1T

Change in GDP
+ $5T

Change in Ratio
- 14%
Conclusion

PLUS ULTRA
SUMMARY

Final Change in Ratio
-124%

Worked to Lower the Racial Wealth Gap by:
over 40%

Final Ratio
71%
Thank You!

Team 127