2020

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Dominic de Cogan and Peter Harris, editors, Tax Justice and Tax Law: Understanding Unfairness in Tax Systems (Hart Publishing 2020) Chapter 8

Saint Louis U. Legal Studies Research Paper No. 2020-40

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Date Written: May 1, 2014

Abstract

This chapter argues that fundamental fairness principles demand changes in U.S. tax law to place those who rent on an equal tax footing with those who own their residences. The disparity in tax treatment of owners and renters results primarily from the failure of the tax law to include the use value from investment of capital in a personal residence in the incomes of owners. While the yield from investment in a personal residence is not cash, the yield is valuable as it replaces an outlay for dwelling use the owner otherwise would have to make. That occupancy right as an investment yield remains undiminished by any income tax. Renters, on the other hand, may not deduct what they pay for their dwelling use. Renters pay for residence occupancy with what they have left after their income from all sources, including alternative investments of capital, has been taxed.

Keywords: Income taxation, tax distribution, regressivity, tax fairness, horizontal equity, vertical equity, imputed income

Suggested Citation:

Ordower, Henry, Income Imputation: Toward Equal Treatment of Renters and Owners (May 1, 2014). Anthony C. Infanti, ed., CONTROVERSIES IN TAX LAW: A MATTER OF PERSPECTIVE (Ashgate Press 2014 Forthcoming), Saint Louis U. Legal Studies Research Paper No. 2014-17.