

## GUEST ESSAY

# Mitt Romney: Tax the Rich, Like Me

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By **Mitt Romney**

Mr. Romney, a Republican, represented Utah in the U.S. Senate from 2019 to 2025.

In 2012, political ads suggested that some of my policy proposals, if enacted, would amount to pushing Grandma off a cliff. Actually, my proposals were intended to prevent that very thing from happening.

Today all of us, including our grandmas, truly are headed for a cliff: If, as projected, the Social Security Trust Fund runs out in the 2034 fiscal year, benefits will be cut by about 23 percent. The government will need trillions of dollars to make up the shortfall. When lenders refuse to provide the money unless they are paid much higher interest rates, economic calamity will almost certainly ensue. Alternatively, the government could print more money, inducing hyperinflation that devalues the national debt — along with your savings.

Typically, Democrats insist on higher taxes, and Republicans insist on lower spending. But given the magnitude of our national debt as well as the proximity of the cliff, both are necessary. DOGE took a slash-and-burn approach to budget

cutting and failed spectacularly. Europe demonstrates that exorbitant taxation without spending restraint crushes economic vitality and thus speeds how fast the cliff arrives.

On the spending-cut front, only entitlement reform would make a meaningful difference, since programs such as Social Security and Medicare account for a majority of government outlays. No one countenances cutting benefits for current or near retirees. But Social Security and Medicare benefits for future retirees should be means-tested — need-based, that is to say — and the starting age for entitlement payments should be linked to American life expectancy.

And on the tax front, it's time for rich people like me to pay more.

Our roughly 17 percent average tariff rate helps the revenue math. Doubling it — which seemed possible shortly after “Liberation Day” — would further burden lower- and middle-income families and would have severe market consequences.

I long opposed increasing the income level on which FICA employment taxes are applied (this year, the cap is \$176,100). No longer; the consequences of the cliff have changed my mind.

The largest source of additional tax revenues is also probably the most compelling for fairness and social stability. Some call it closing tax code loopholes, but the term “loopholes” grossly understates their scale. “Caverns” or “caves” would be more fitting.

Consider, for example, the cavern of the capital gains tax treatment at death for those with enormous estates. Let's look at a hypothetical scenario using Elon Musk as a proxy. If he had originally purchased his Tesla stock with, say, \$1 billion and held it until his death and if it was then worth \$500 billion, he would never pay the 24 percent federal capital gains tax on the \$499 billion profit. Why? Because under the tax code, capital gains are not taxed at death. The tax code provision known as step-up in basis means that when Mr. Musk's heirs get his stock, they are treated as if they purchased it for \$500 billion. So no one pays taxes on the \$499 billion capital gain. Ever.

This unusual provision makes sense when you're talking about helping families keep their family farms. But it's used by billionaires to avoid capital gains taxes. In order to raise more revenue, this cavern should be sealed for mega-estates over \$100 million.

Sealing the real estate caverns would also raise more revenue: 1031 exchanges allow a real estate developer to defer and possibly avoid paying the capital gains tax on the profitable sale of a building. Depreciating the purchase price of a building, including the debt, shields income from taxes. As with the previous example, hugely profitable real estate properties held at death are not subject to the capital gains tax. I presume these provisions were originally intended to stimulate the real estate industry. Today they insulate multibillionaires.

There are more loopholes and caverns to be explored and sealed for the very wealthy, including state and local tax deductions, the tax rate on carried interest and charity limits on the largest estates at death. It is not that the rich, in these cases, are cheating the government; they are playing by the rules. But given the potential peril ahead, we need to follow the Willie Sutton rule: Go where the money is.

I believe in free enterprise, and I believe all Americans should be able to strive for financial success. But we have reached a point where any mix of solutions to our nation's economic problems is going to involve having the wealthiest Americans contribute more.

Of course, a much faster-growing economy would save us from the debt cliff. This truism has long rationalized politicians' failure to act: Faster growth, promised with tax cuts, is always just around the corner, but we never turn that corner.

Yes, taxes can slow growth. But most of the measures I propose would have a relatively small impact on economic growth. If my party wants to be the one to give working- and middle-class Americans greater opportunity — to be the party that is trying to restore some sense of confidence in our capitalist system — this would be a start.

**It would help us avoid the cliff ahead and might tend to quiet some of the anger that will surely grow as unemployed college graduates see tax-advantaged multibillionaires sailing 300-foot yachts.**

Mitt Romney was the governor of Massachusetts from 2003 to 2007 and the 2012 Republican presidential nominee.

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