

## THE AMERICAN STABILITY ACT

### An Integrated Wage and Tax System That Keeps Working Americans Out of Poverty and Ensures Equitable Distribution of Economic Growth

Throughout the 1950s and 60s, America's middle class thrived and our concentration of wealth was at historic lows. After the federal minimum wage hit its zenith in 1968, however, a complete reversal of that progress began. Today, after not budging in 15 years, the minimum wage is back to its [1950 level](#), barely half of where it stood in 1968 after accounting for inflation. Meanwhile, after over four decades of tax cut packages favoring the wealthy that eliminated virtually all of our tax system's progressivity, the country's wealth concentration has returned to levels not seen since the Gilded Age. Our proposal – The American Stability Act – addresses these reversals and places the country on a path to shared prosperity. .

**First**, it calls for a federal minimum wage, the Stability Wage, that initially is a Cost of Living Wage – a wage sufficient to pay the basic living expenses of a single, childless adult living in the median American state.<sup>1</sup> Further, the American Stability Act calls for the Stability Wage to increase in proportion to the increase in the average wage for all workers, as the minimum wage did prior to 1968, but never to be less than the inflation-adjusted Cost of Living Wage.

According to the [Living Wage Calculator](#), of the 50 states and Washington, DC, North Carolina is the median state, with a \$44,848 average annual cost of living for a single person, including taxes. Under our proposal, which would eliminate federal income tax for those making up to the Cost of Living Wage, the cost of living would be \$41,450, or \$19.93 per hour based on a 40 hour work week. Thus, the American Stability Act establishes the Cost of Living Wage – and the initial Stability Wage – at \$20 an hour.

**Second**, the American Stability Act provides for an exemption from federal income tax – the Cost of Living Exemption – for incomes up to the Cost of Living Wage. The tax reduction from the Cost of Living Exemption will be gradually reduced for those with incomes greater than the Cost of Living Wage, but those with incomes up to 200 percent of the Cost of Living Wage will see some benefit.

**Third**, it links tax bracket adjustments to future increases in the Stability Wage, so that all Americans share in the benefits of improved economic productivity. As the Stability Wage increases, the tax bracket thresholds will as well, thus decreasing income tax burdens for everyone. All Americans, from low wage workers to the ultra-rich, will prosper together.

**Fourth**, it imposes a three percent surtax on incomes above \$1 million, with an additional five percent on incomes above \$15 million, thereby shifting the responsibility for income tax which currently impairs the ability of working Americans to pay basic living expenses to those most able to pay, and restoring a part of the tax progressivity that has been lost to over four decades of tax cut packages favoring the wealthy.

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<sup>1</sup> The minimum wage can of course be set higher at the state or local level in areas where the cost of living is higher.