

Putting a Face on America's Tax Returns

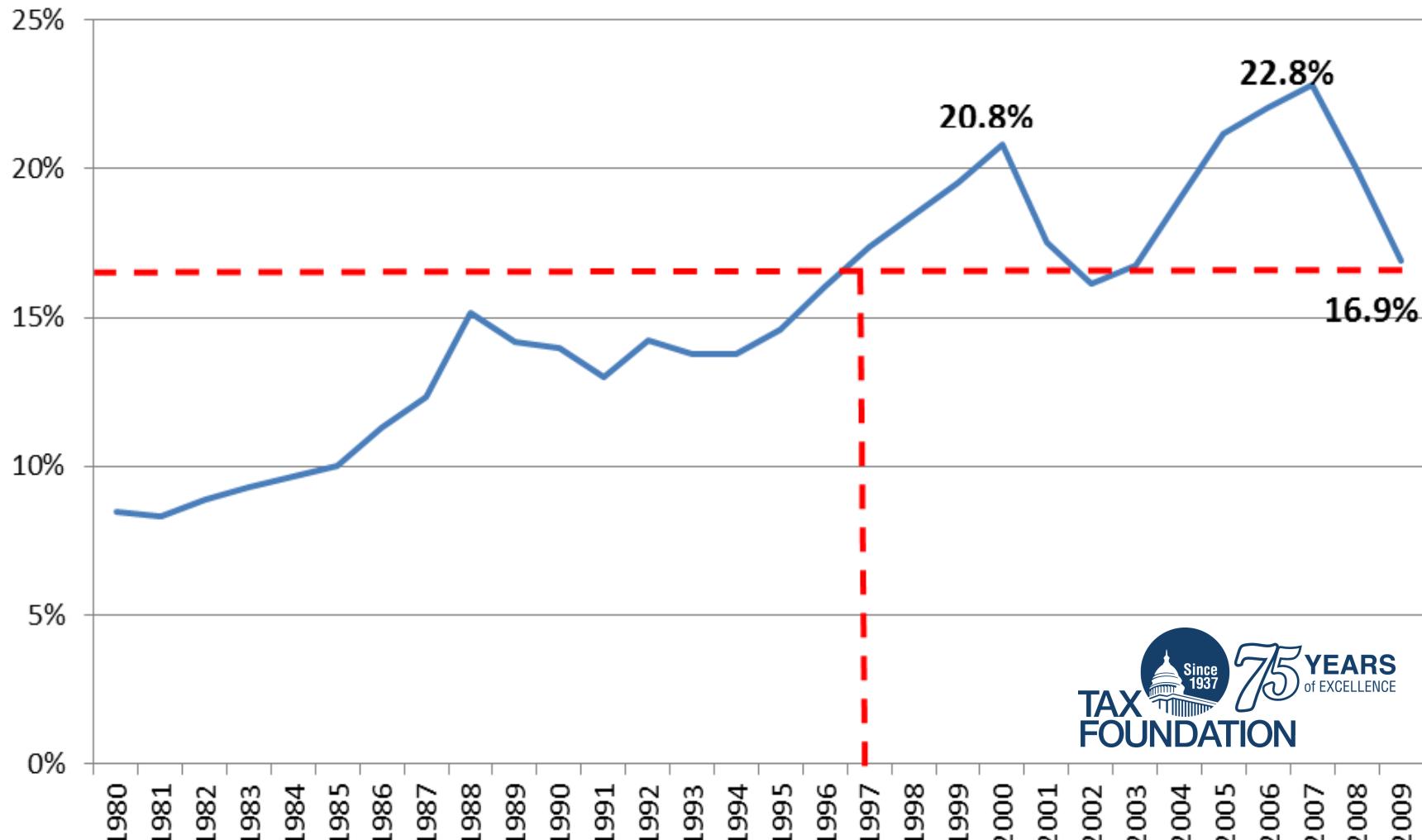


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Today's Topics

- Inequality: Are we more or less unequal?
- Who earns what and who pays what?
- The changing demographics of American taxpayer – who are the payers
- The growth and cost of nonpayers

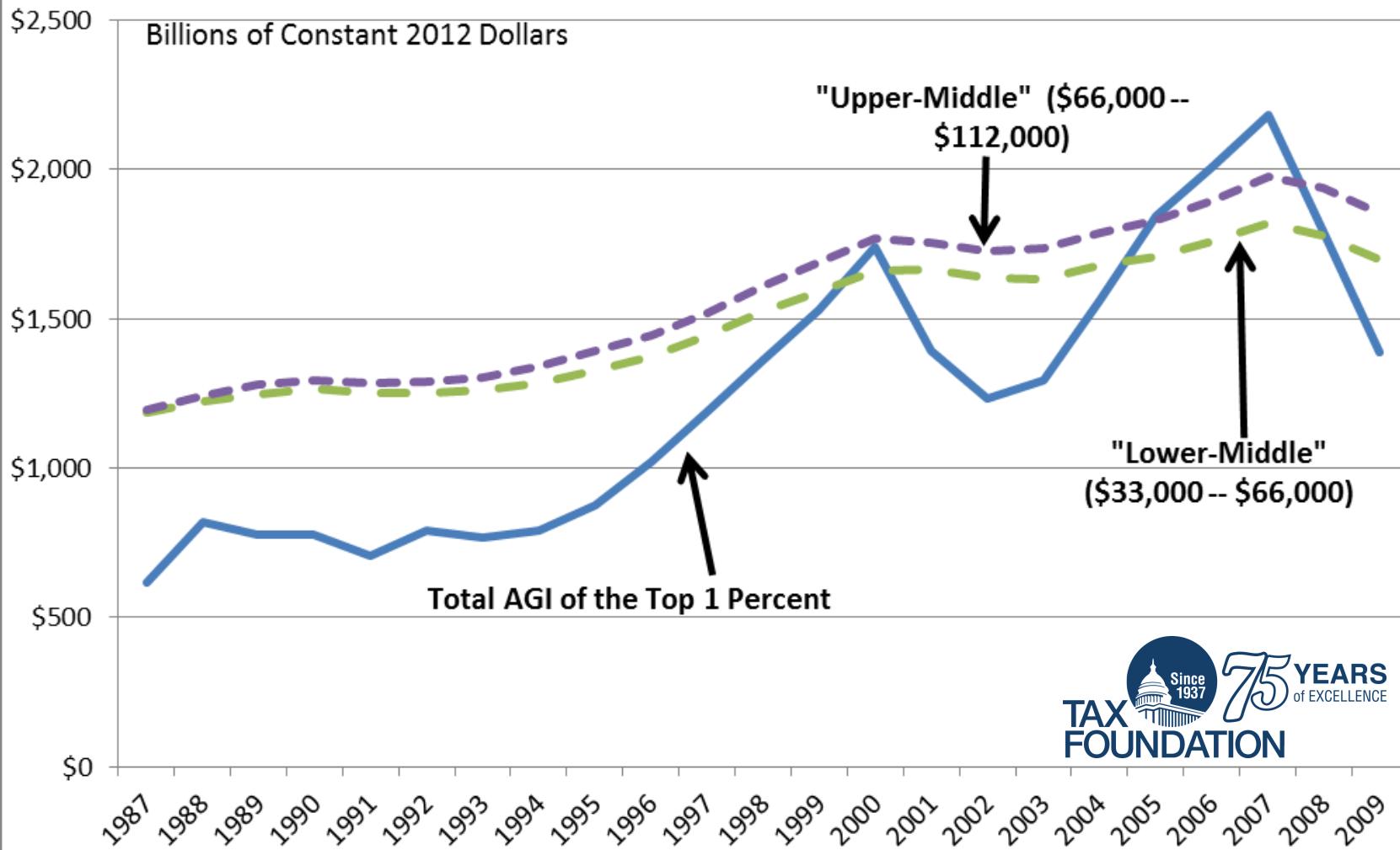
The Top 1 Percent's Share of Income Has Fallen to 1997 Levels



Source: IRS

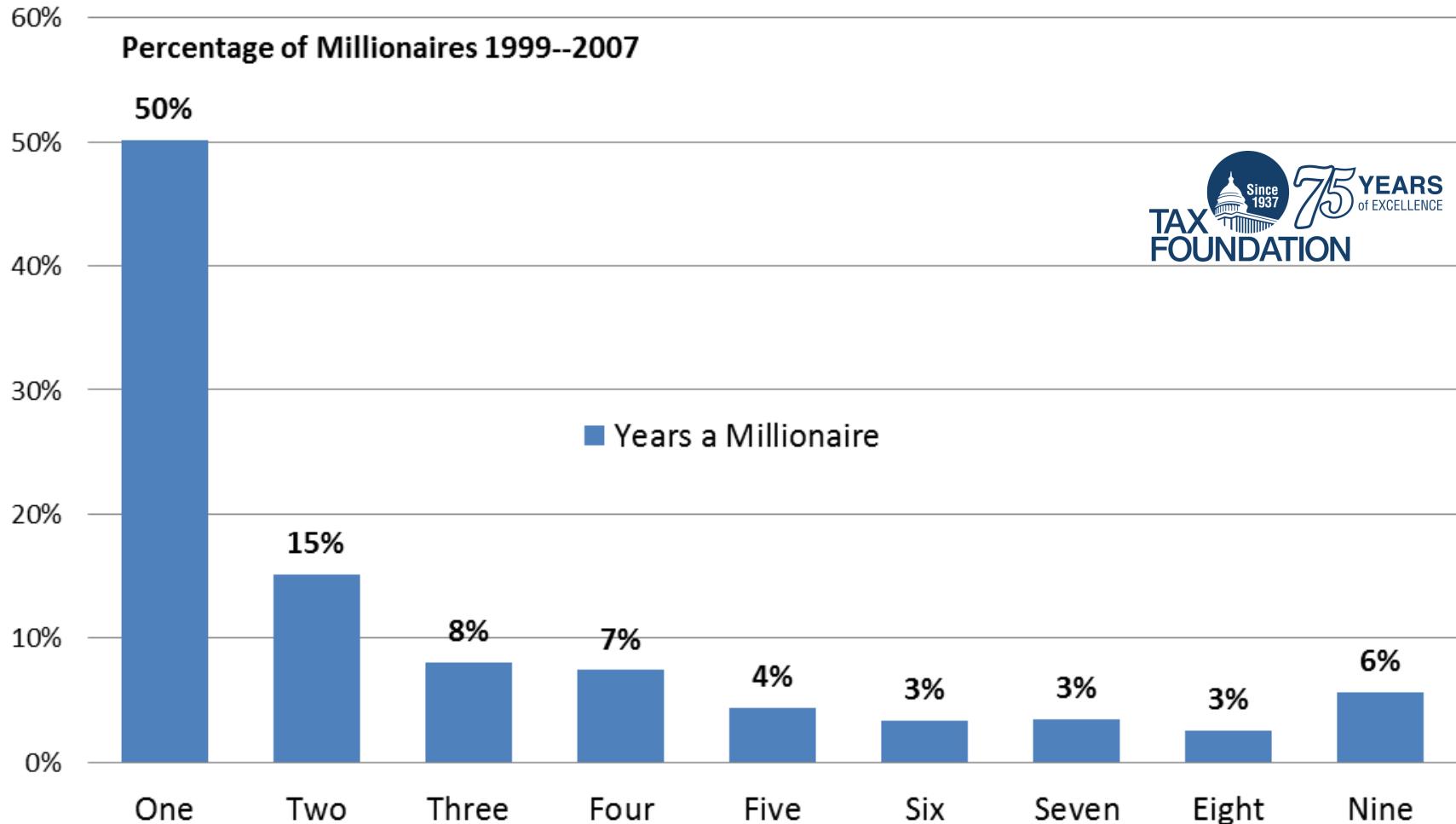


The Gains of the Top 1% Don't Come at the Expense of Other Americans



Source: Tax Foundation/IRS

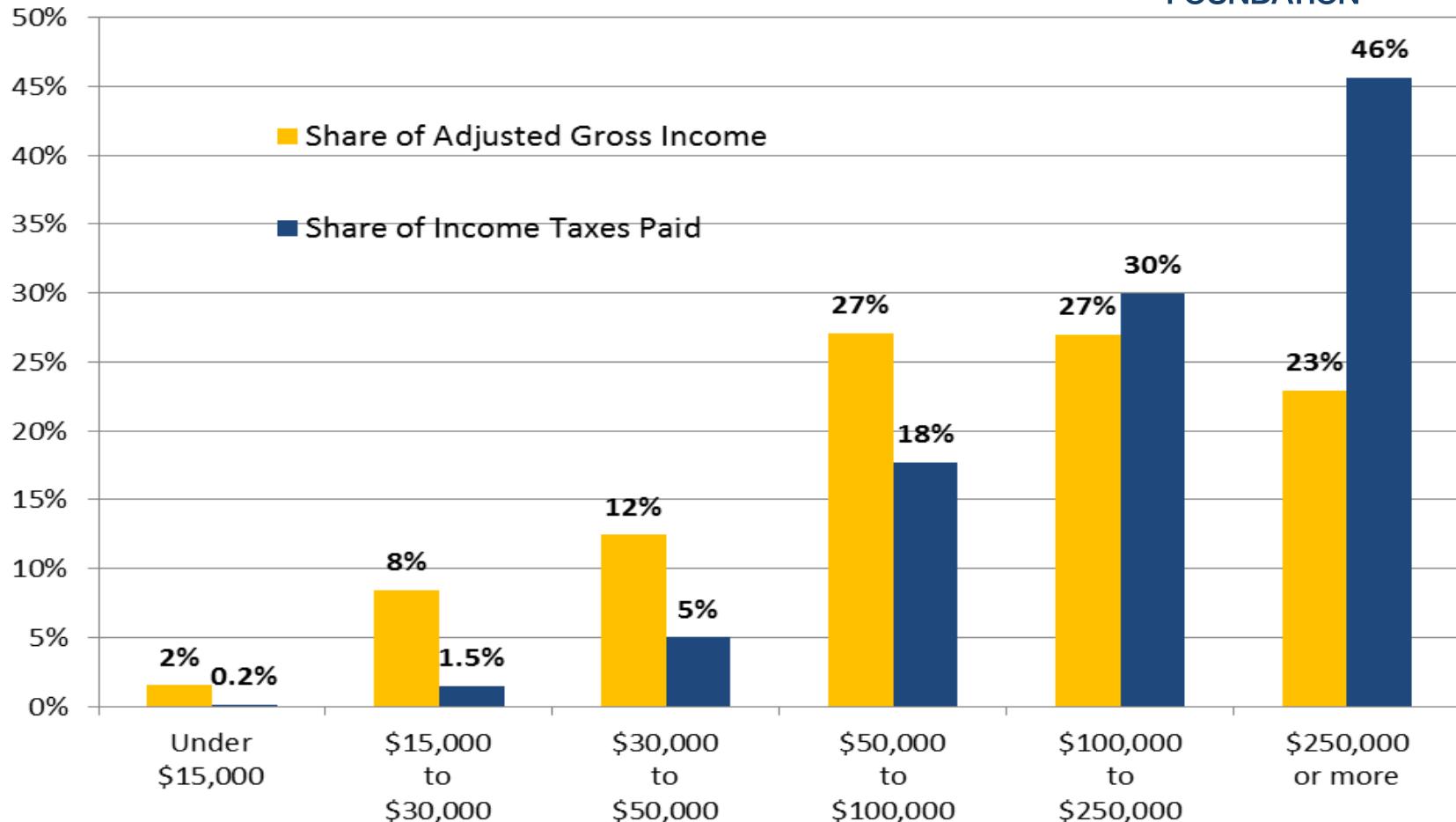
Millionaire Status is Fleeting



Source: Tax Foundation calculations based on IRS data

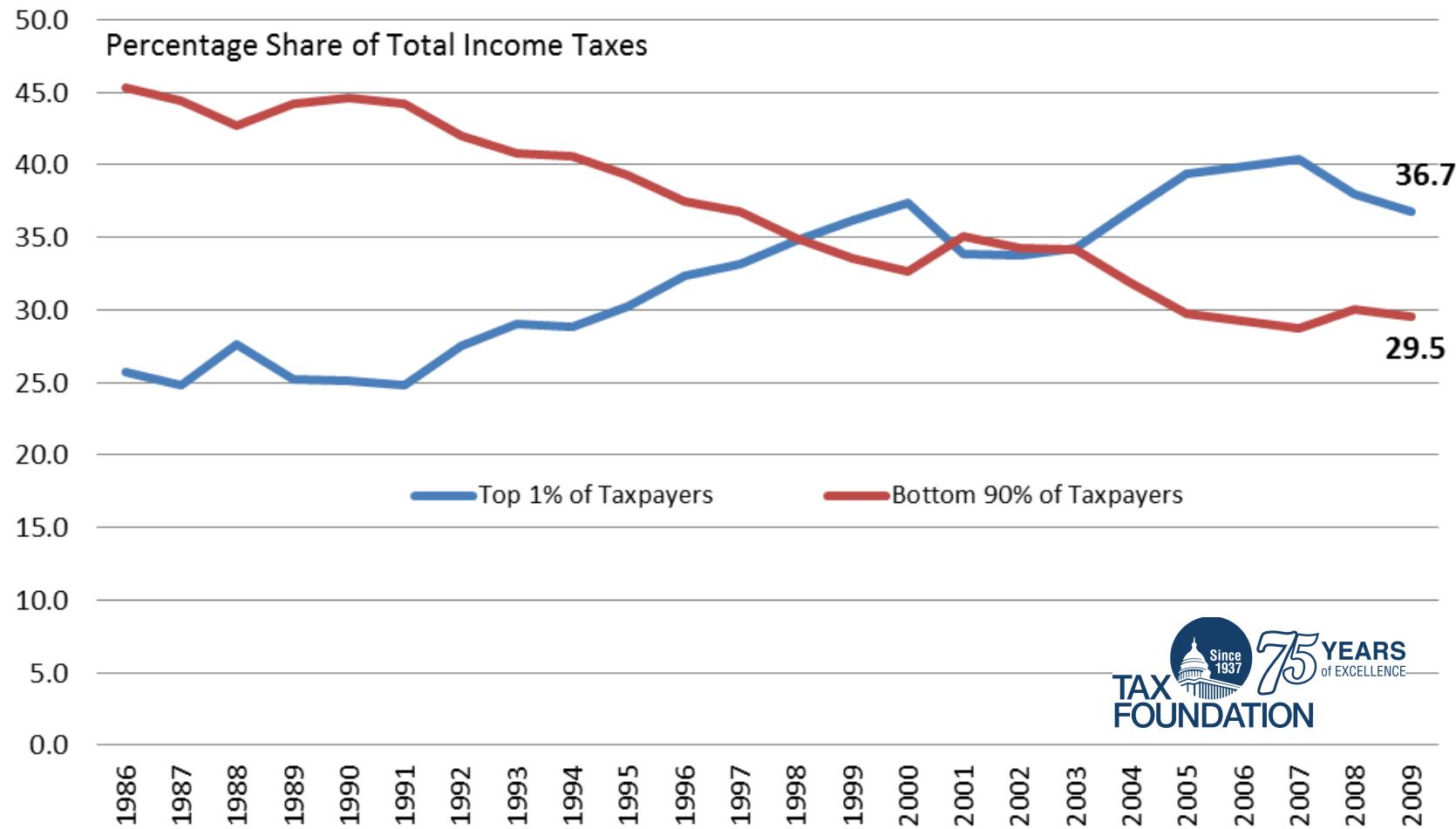
Who Earns What? Who Pays What?

Share of All Income Earned and Share of All Income Taxes Paid in 2010



Source: IRS

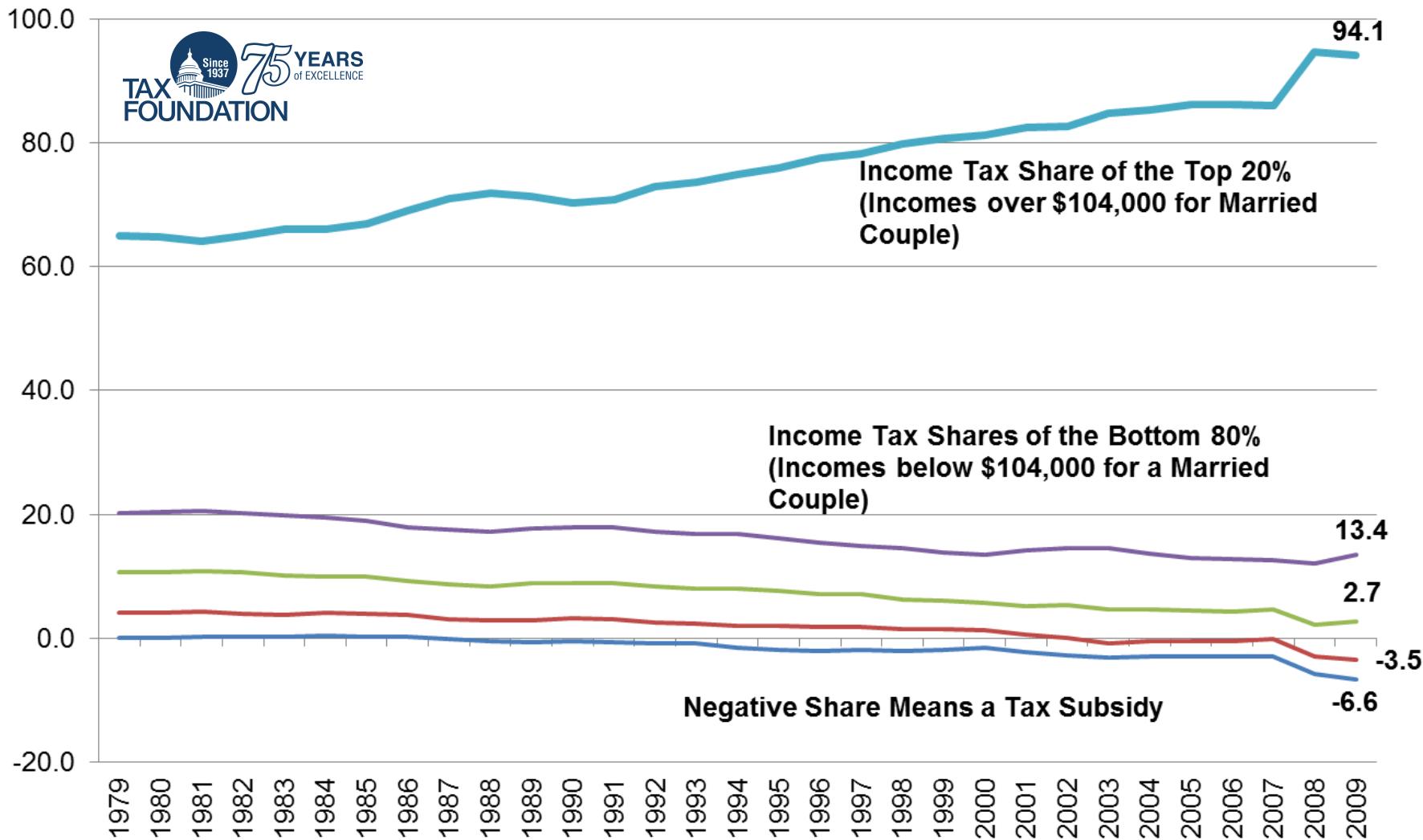
Top 1% of Taxpayers Pay a Greater Share of the Tax Burden than the Bottom 90% Combined



Source: IRS

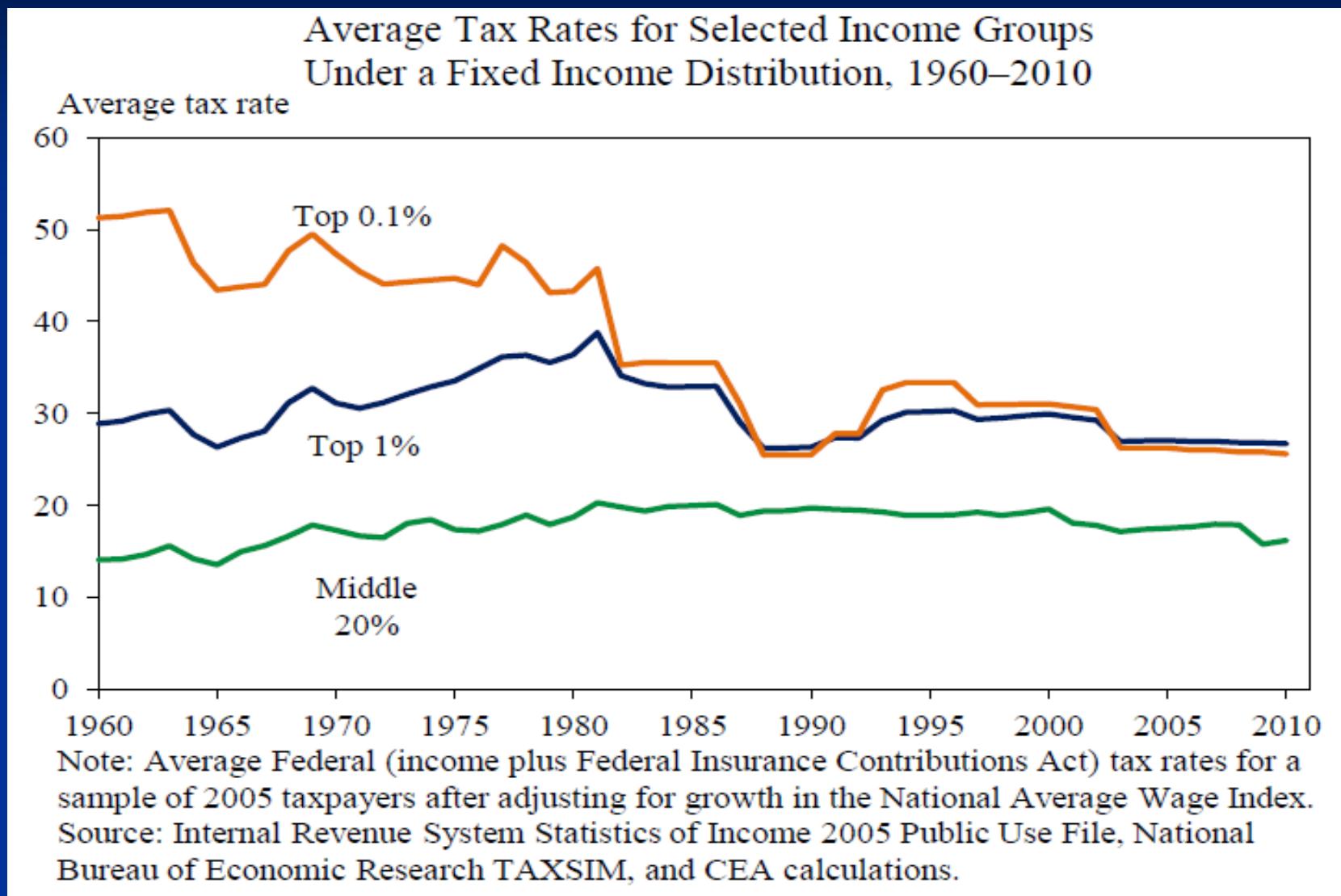


Top 20% of Taxpayers Now Pays 94% of All Income Taxes

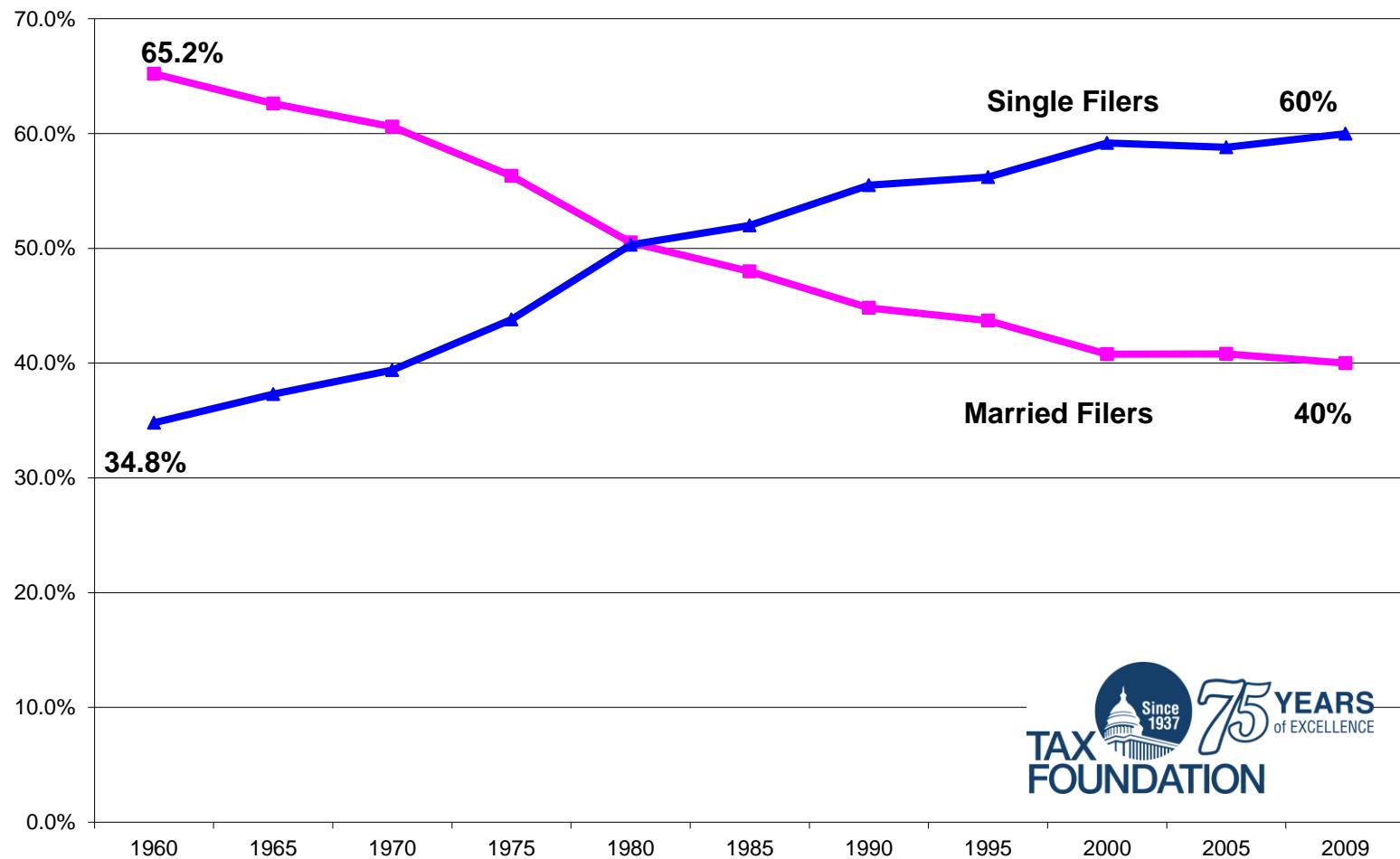


Source: CBO

Does Buffett Really Pay Less Than His Secretary?

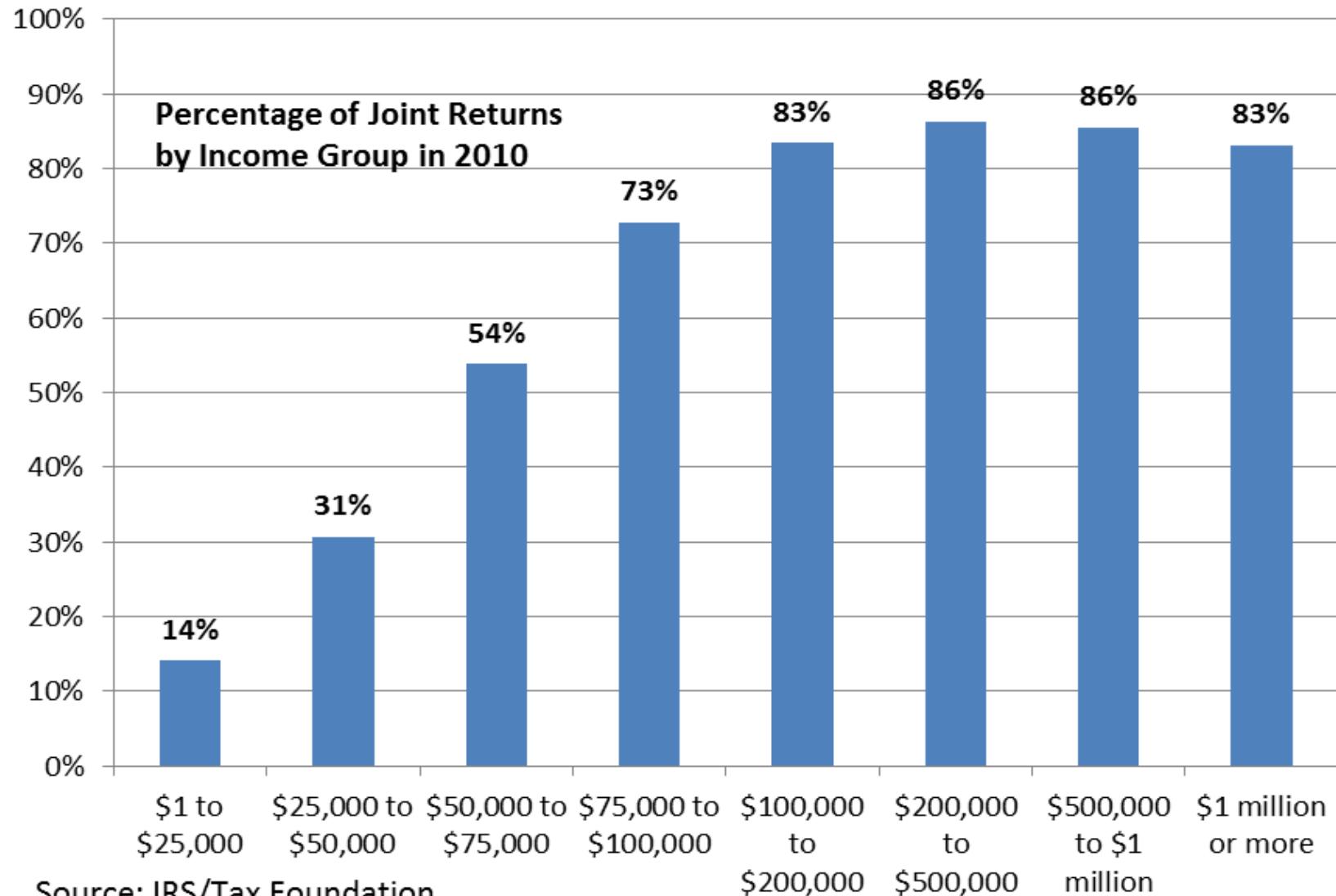


Singles Are Now the Majority of Taxpayers

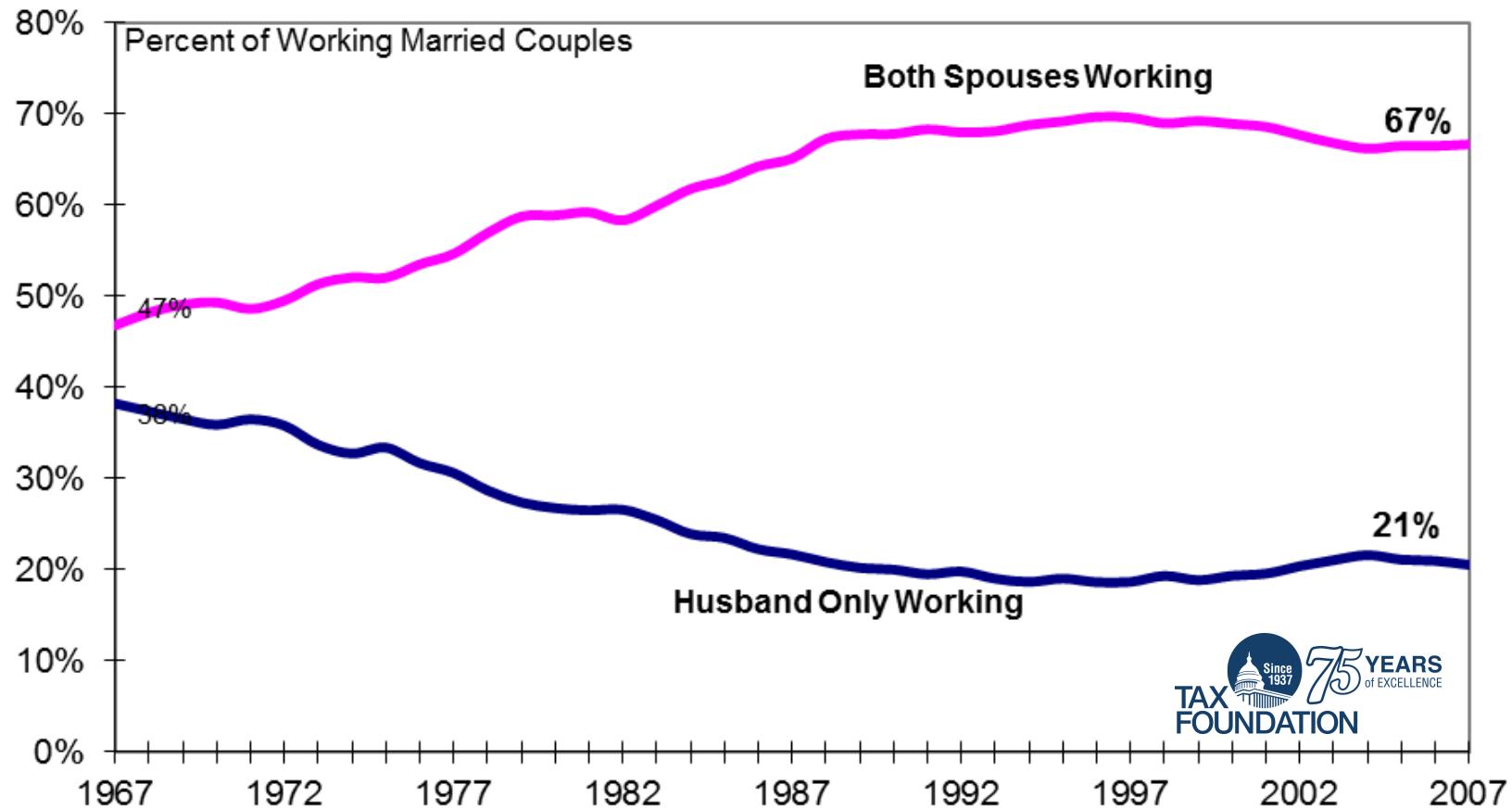


*Source: IRS, single includes head of household filers, married includes married filing separately

High-Income Taxpayers are Overwhelmingly Married Couples



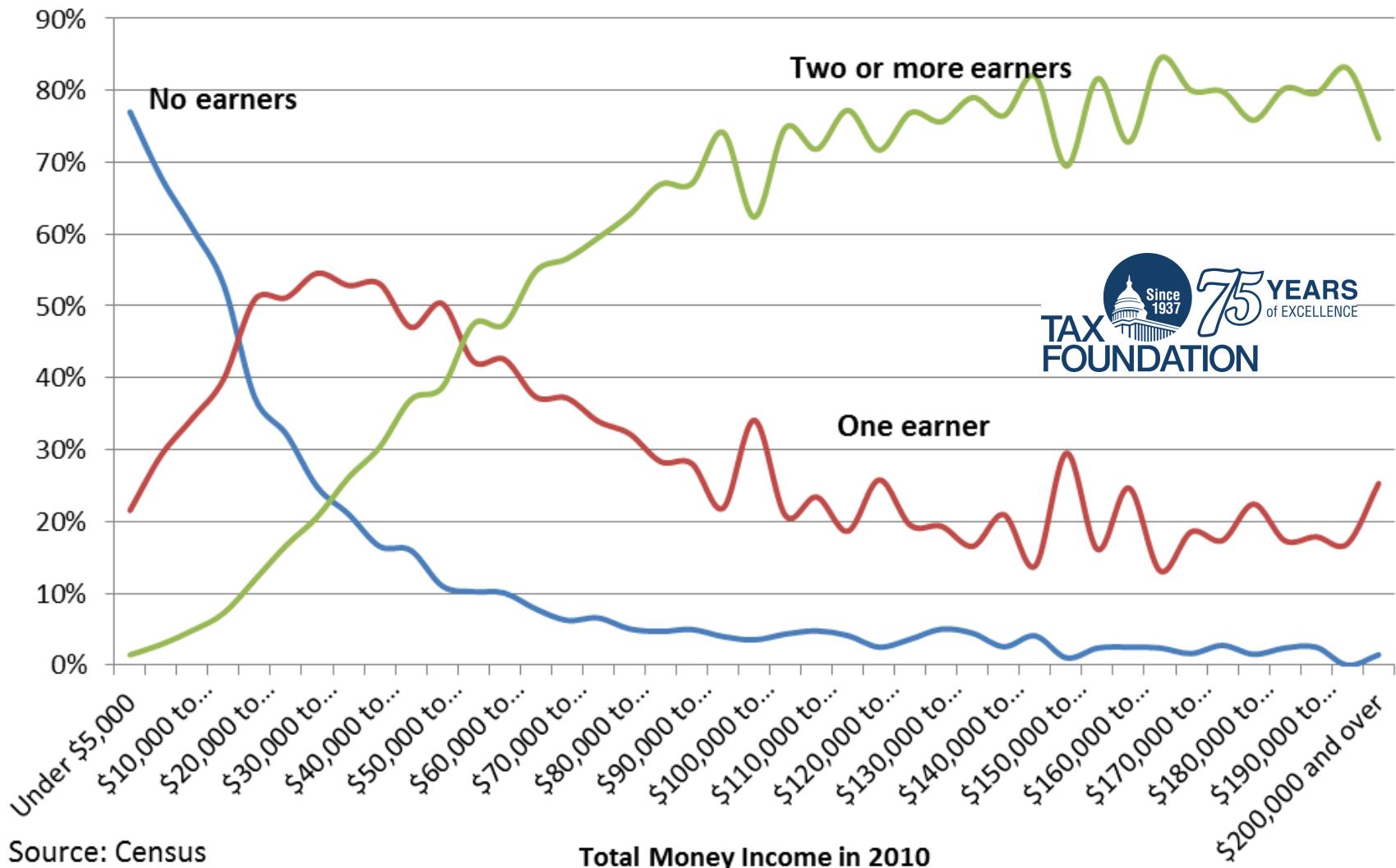
America Has Become a Nation of Dual-Income Working Couples



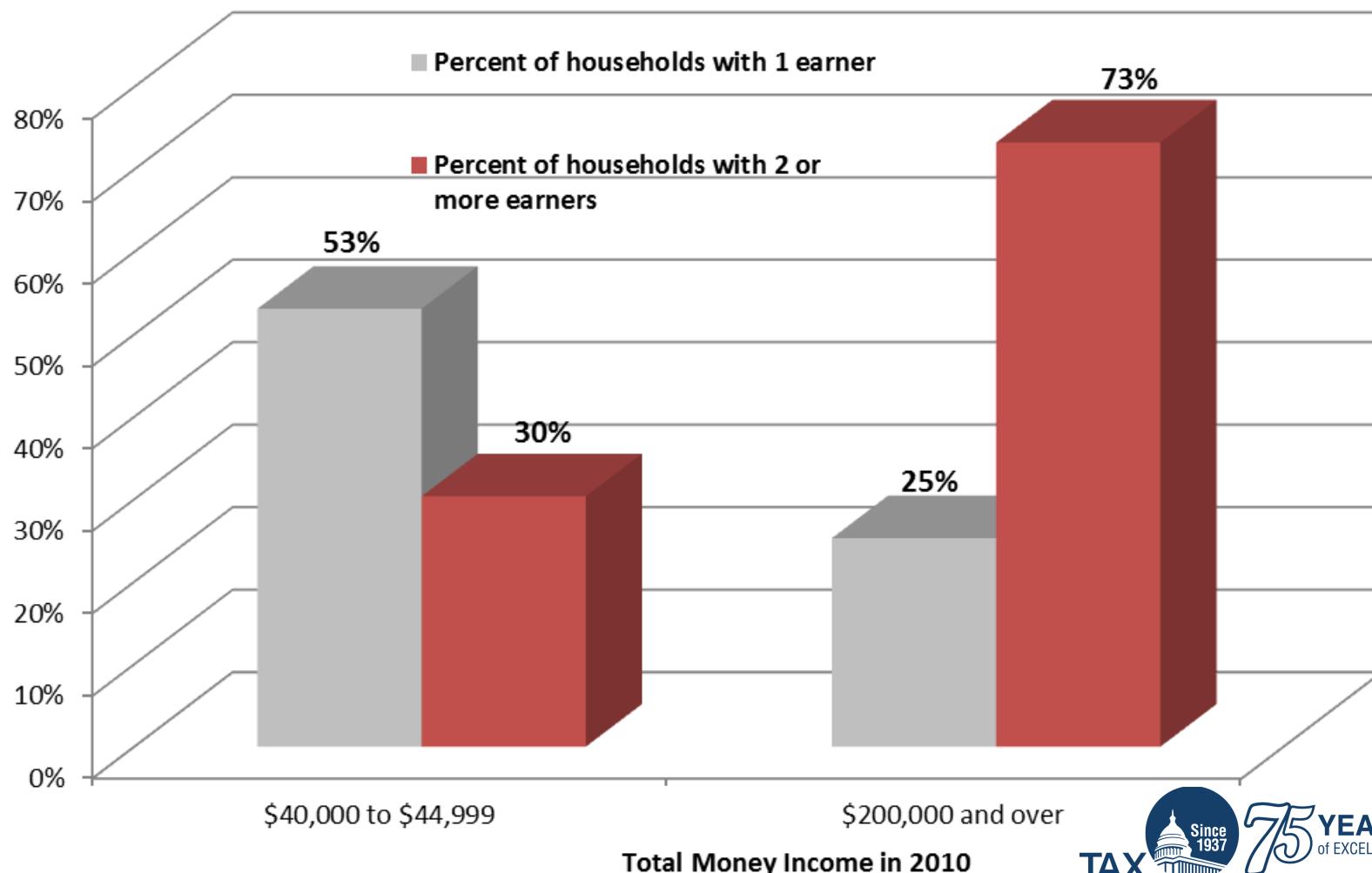
Source: Current Population Survey, BLS 2009



The Higher the Household Income, The More Earners in the Family

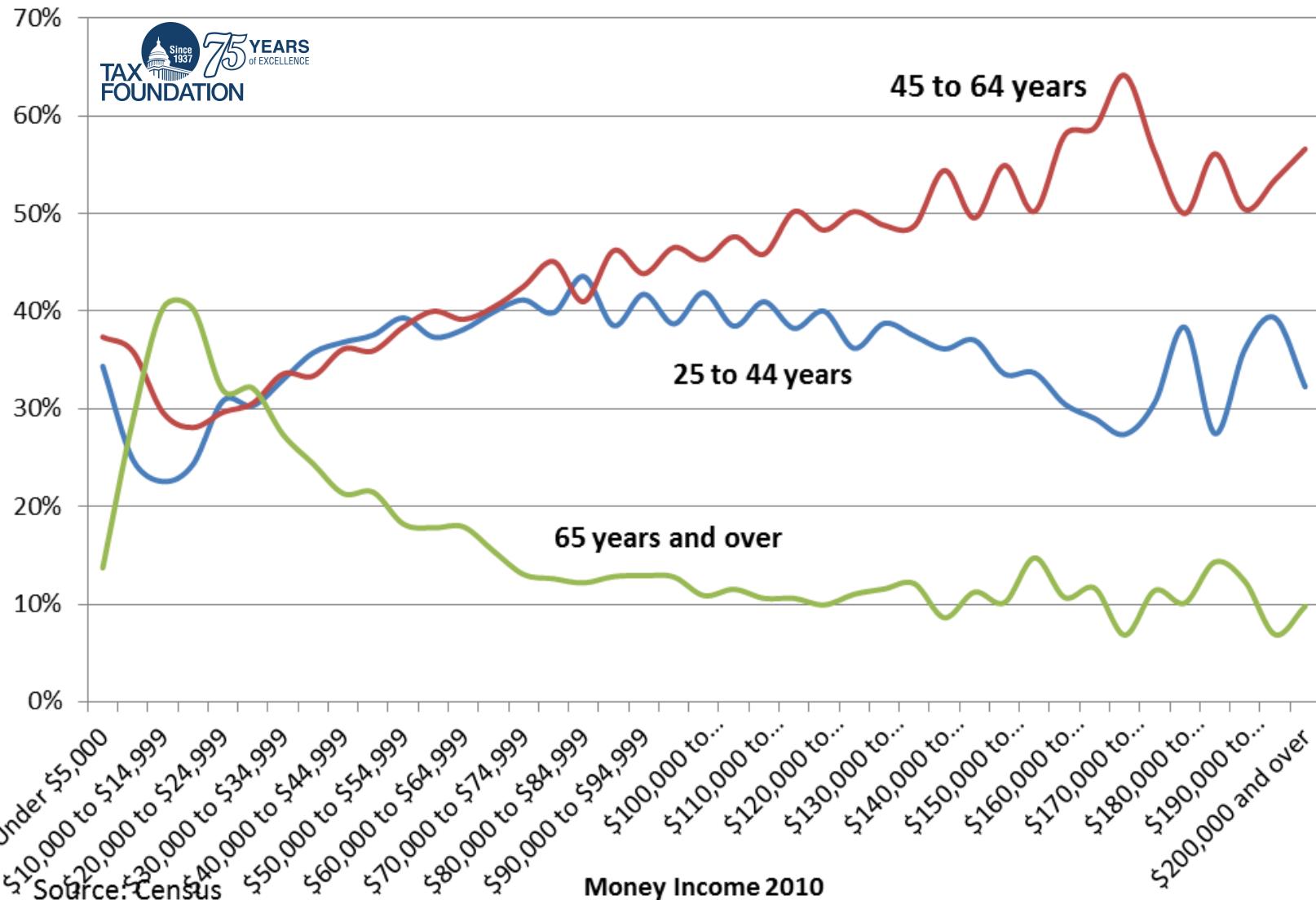


High Income Households Have Many More Earners than Low-Income Households

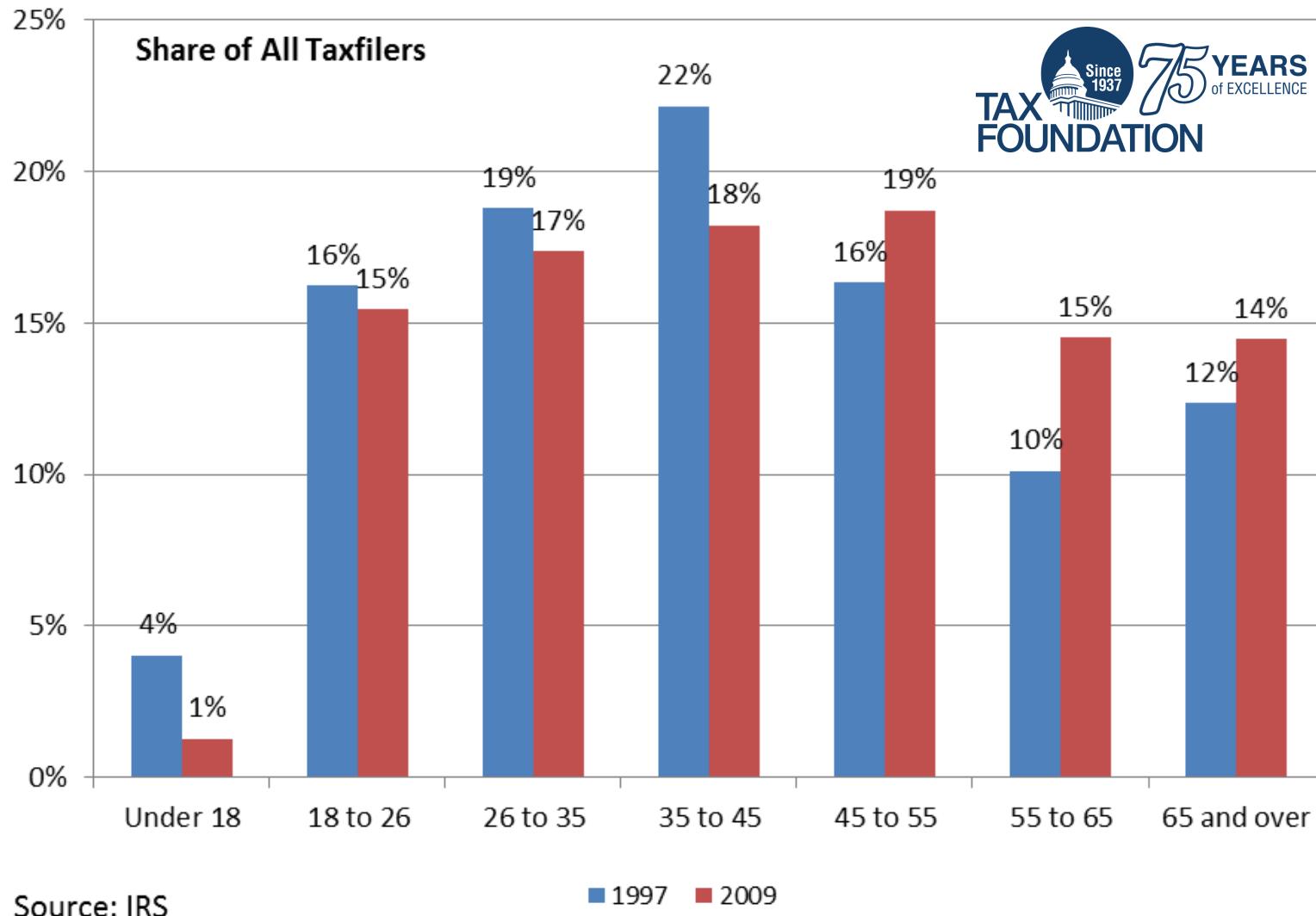


Source: Census

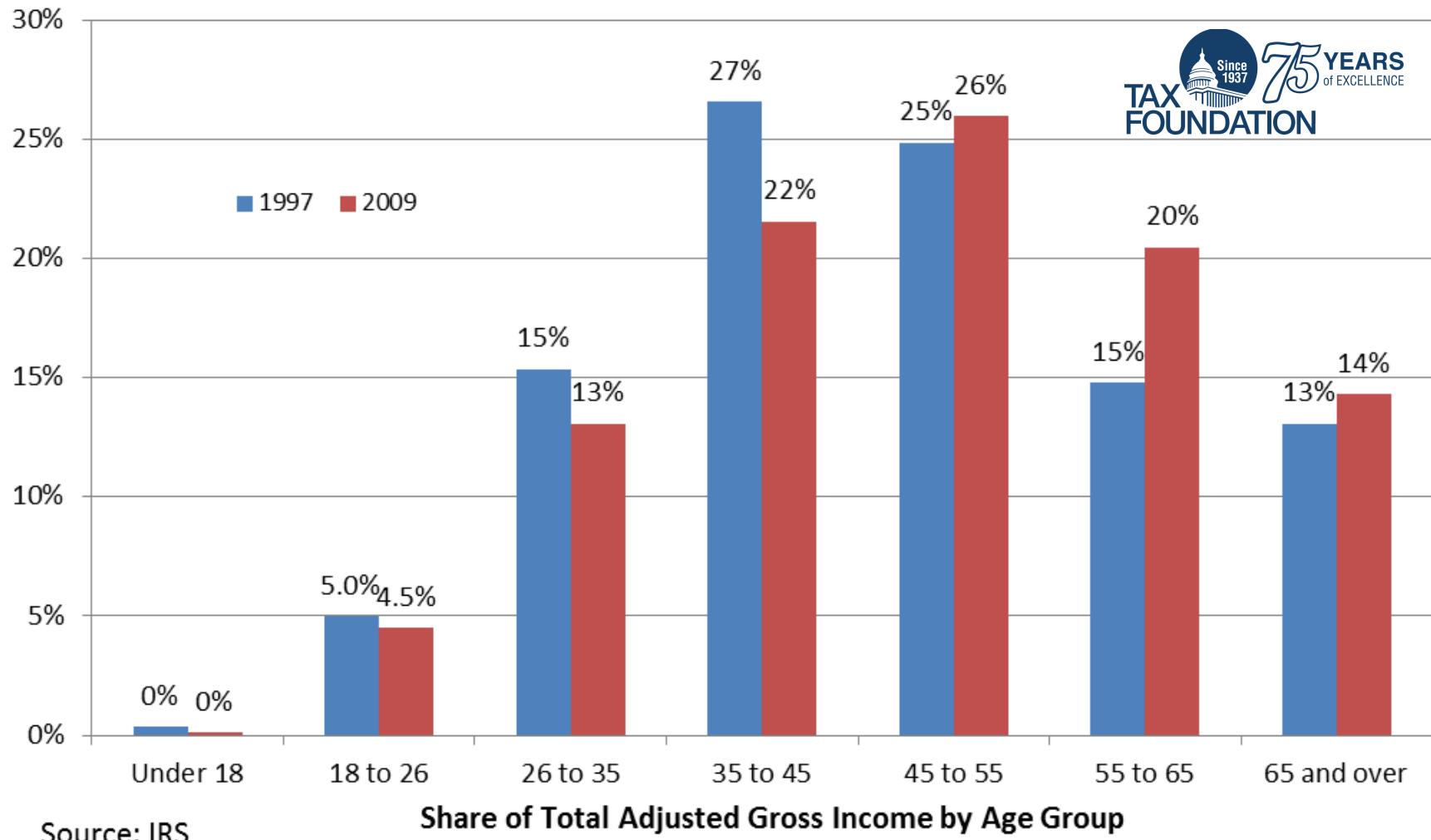
Income is Associated With Age: Boomers Tend to Be Wealthier



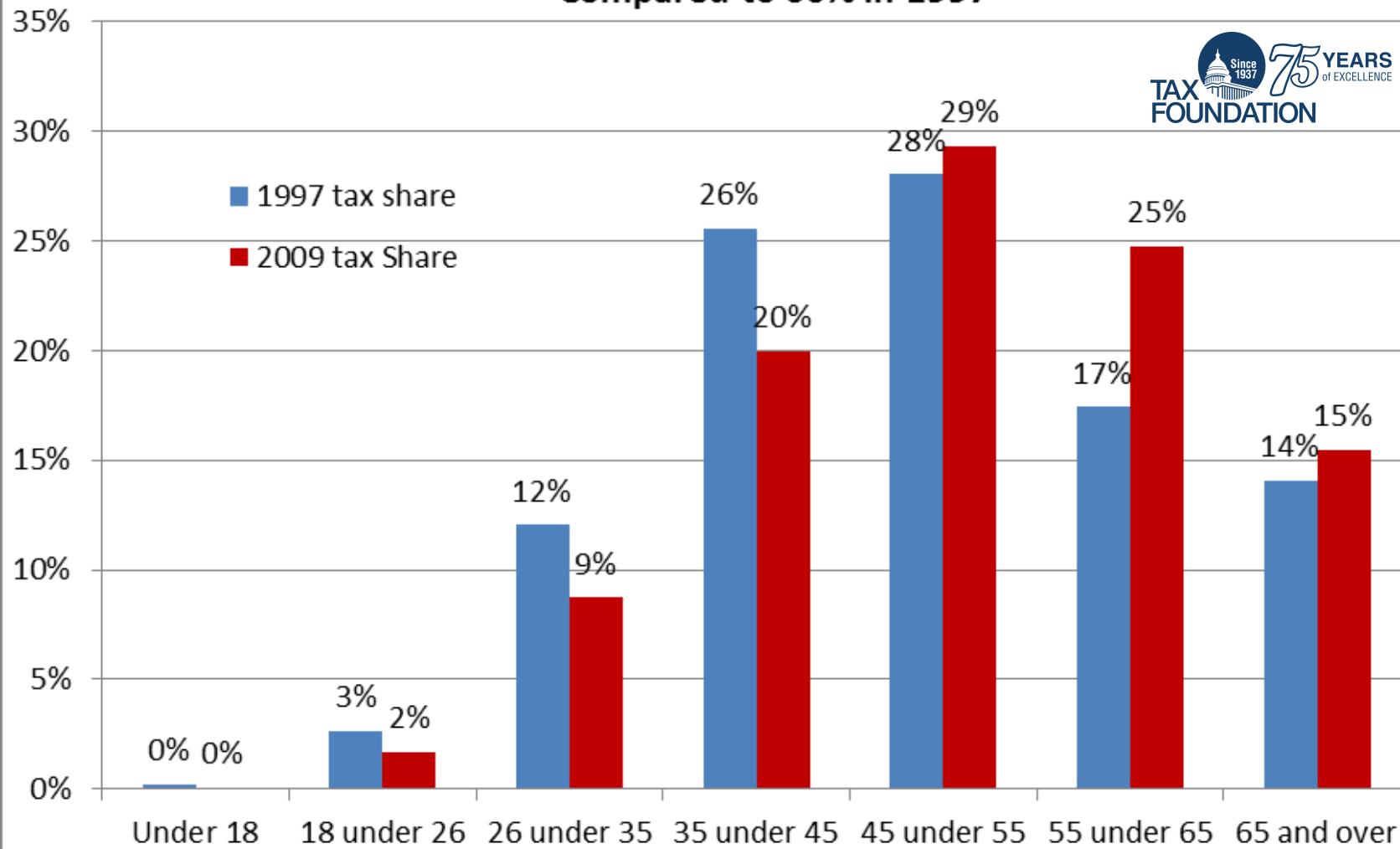
America's Taxpayers are Much Older Than They Were in the 1990s



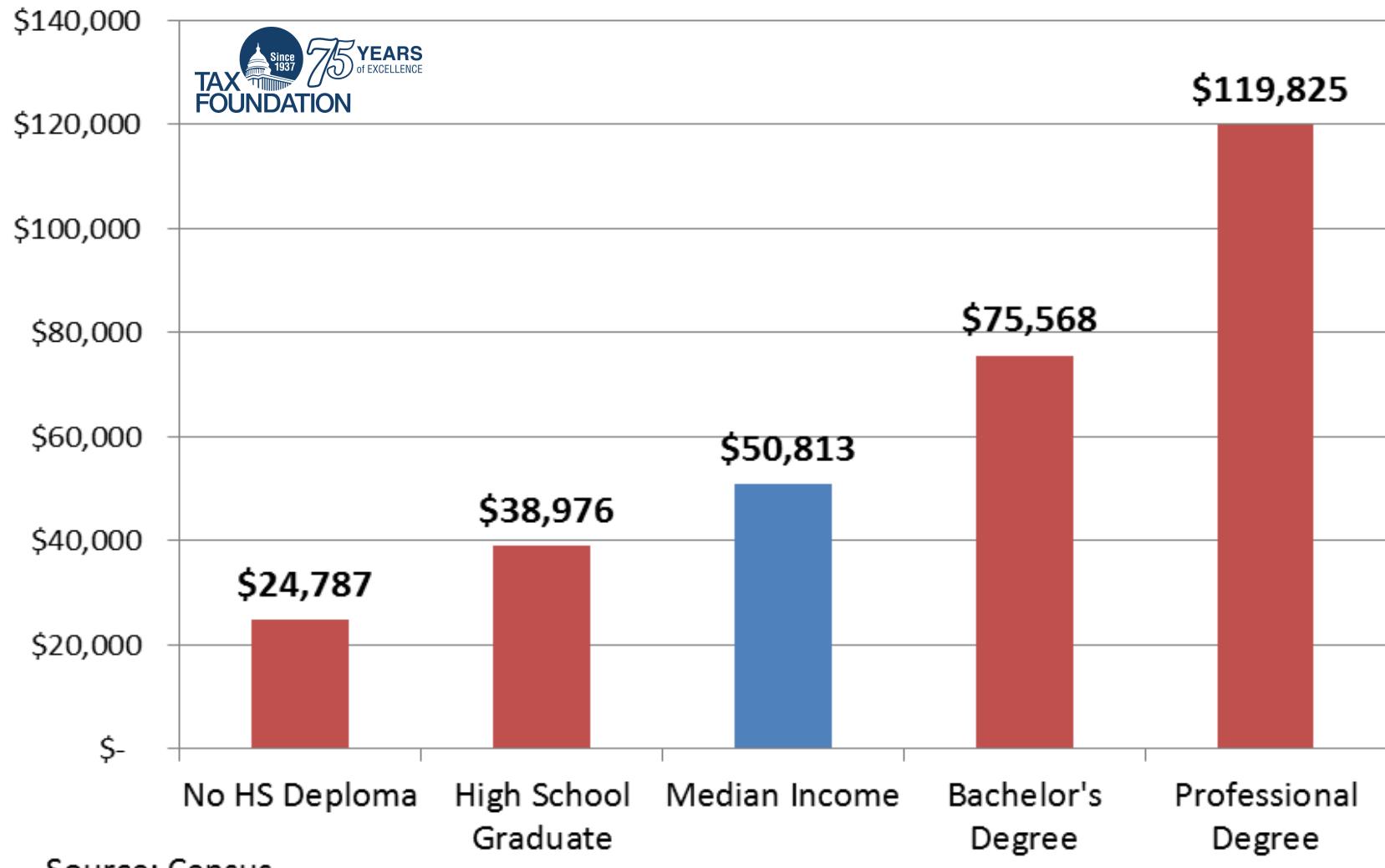
And They Earn a Greater Share of the Nation's Income than They Did in the 1990s



Taxpayers Over 45 Now Pay 70% of all Income Taxes Compared to 60% in 1997

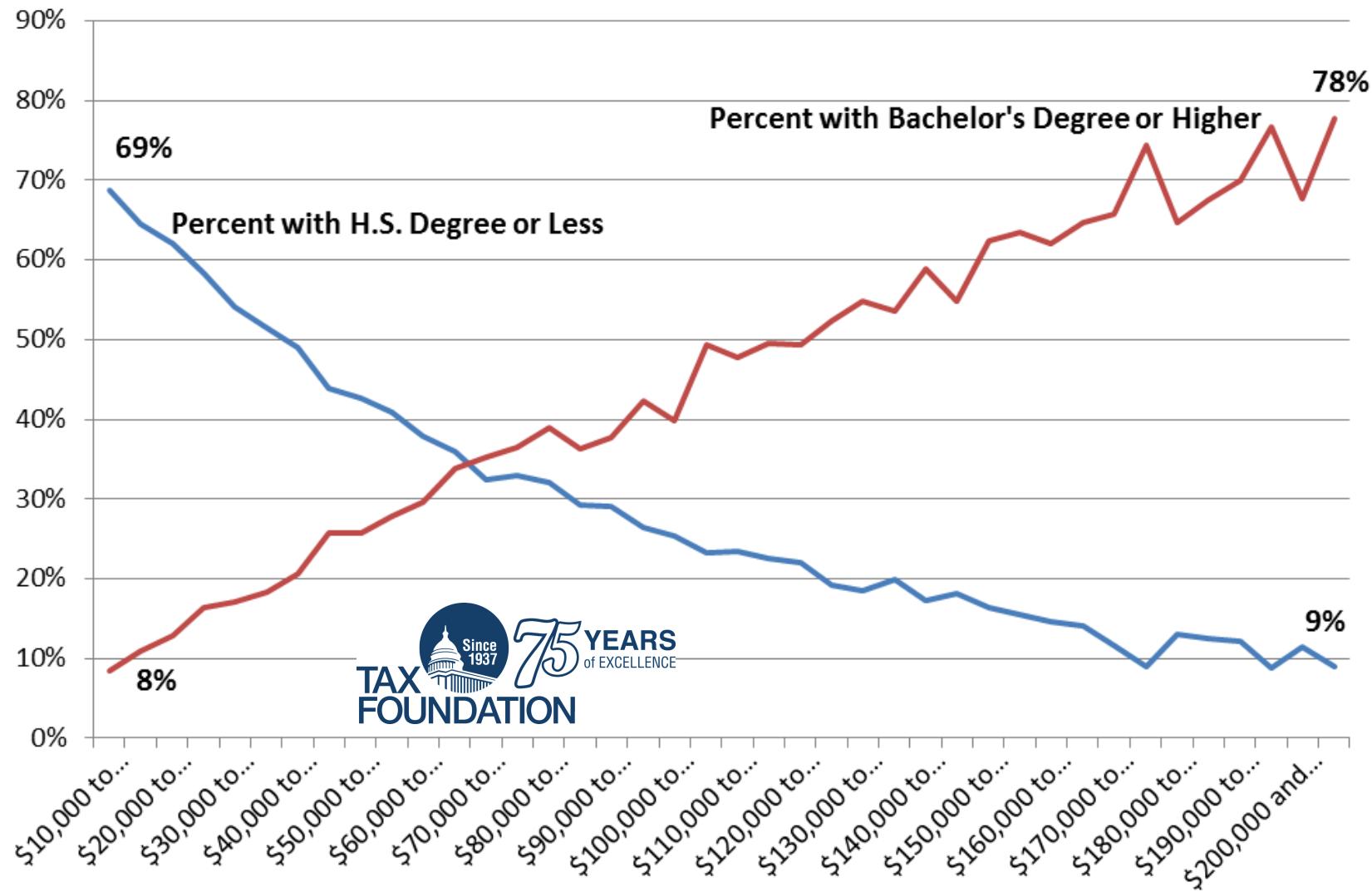


Median Incomes Vary Greatly by Educational Attainment



Source: Census

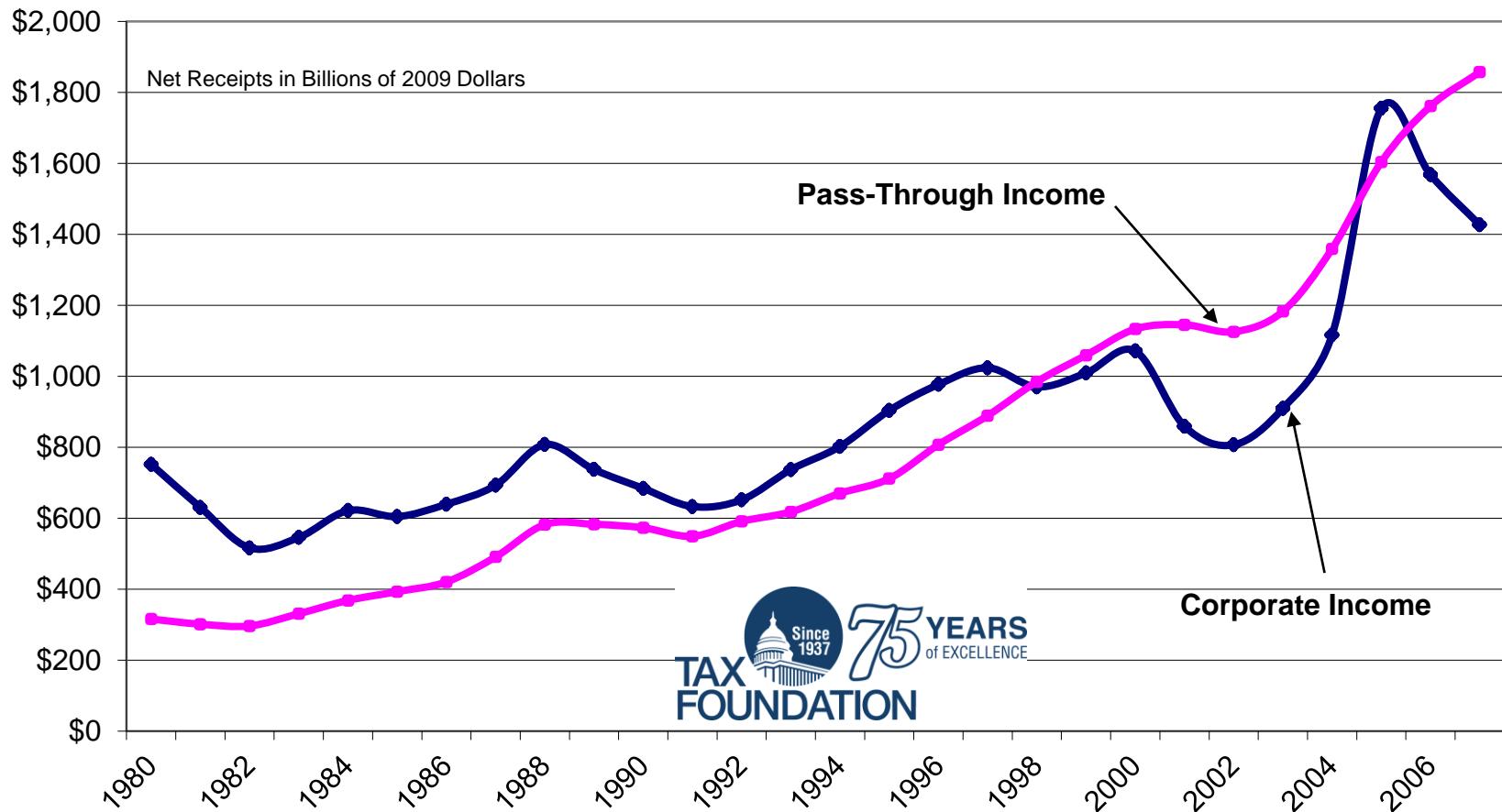
America's Income Gap is Really an Education Gap



Source: Census

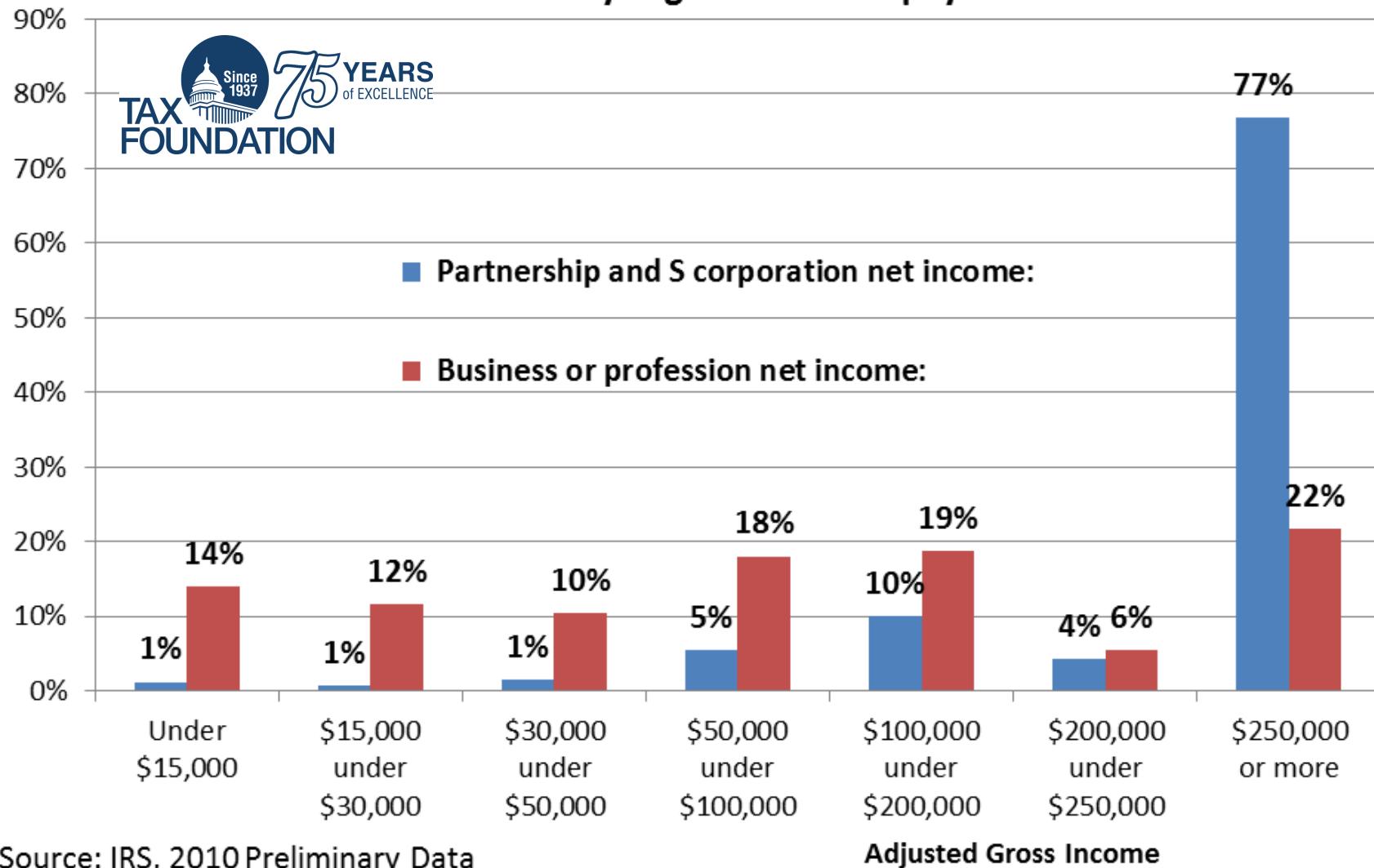
Total Money Income in 2010

More Business Income is Now Taxed Under the Individual Tax Code than Corporate Code



Source: IRS, Statistics of Income

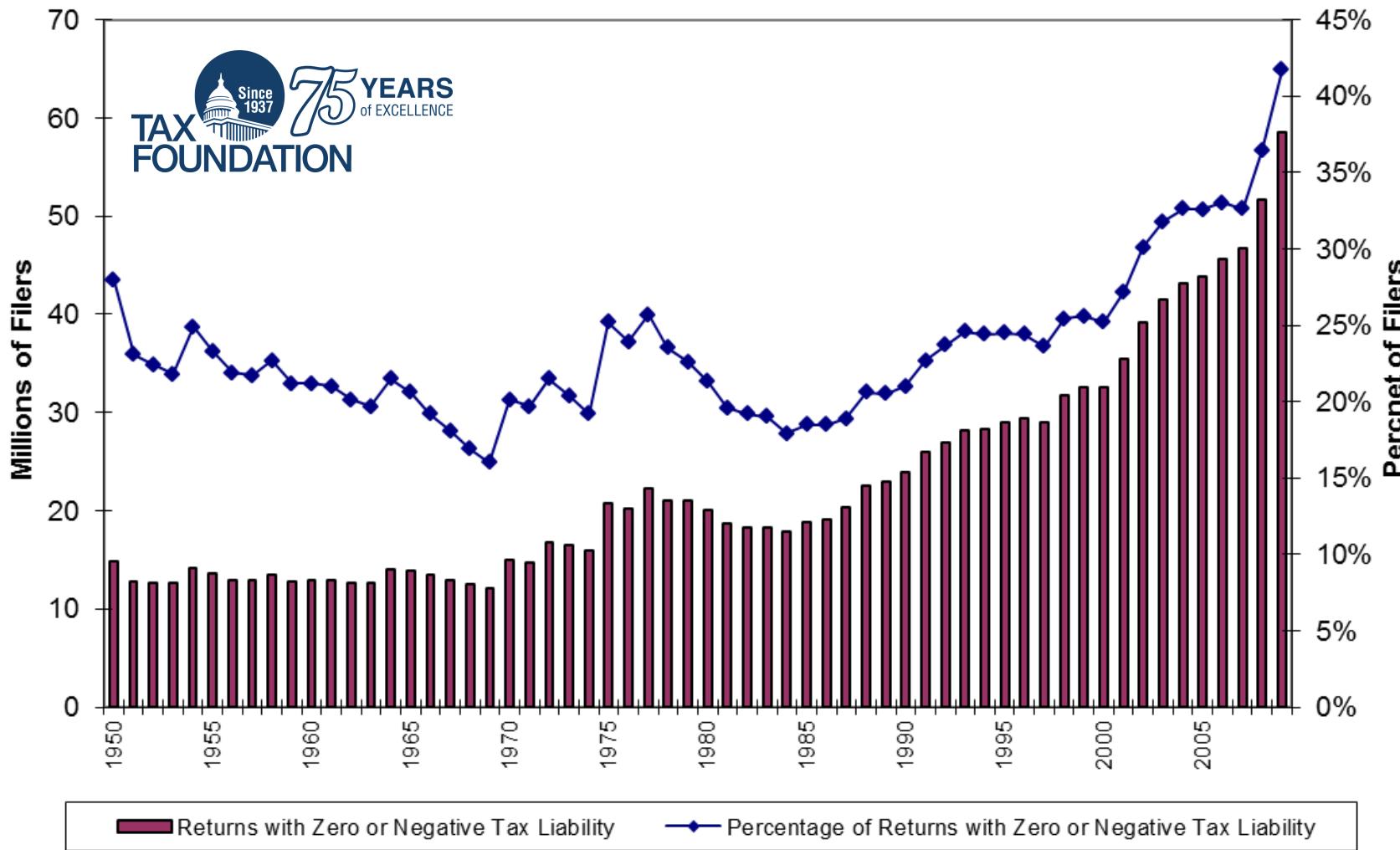
The Majority (55%) of All "Pass-Through" Business Income is Earned by High-Income Taxpayers



Source: IRS, 2010 Preliminary Data

Adjusted Gross Income

Number and Percentage of "Non-Payers": 1950 to 2009



Tax Credits Have Grown Considerably In Recent Years

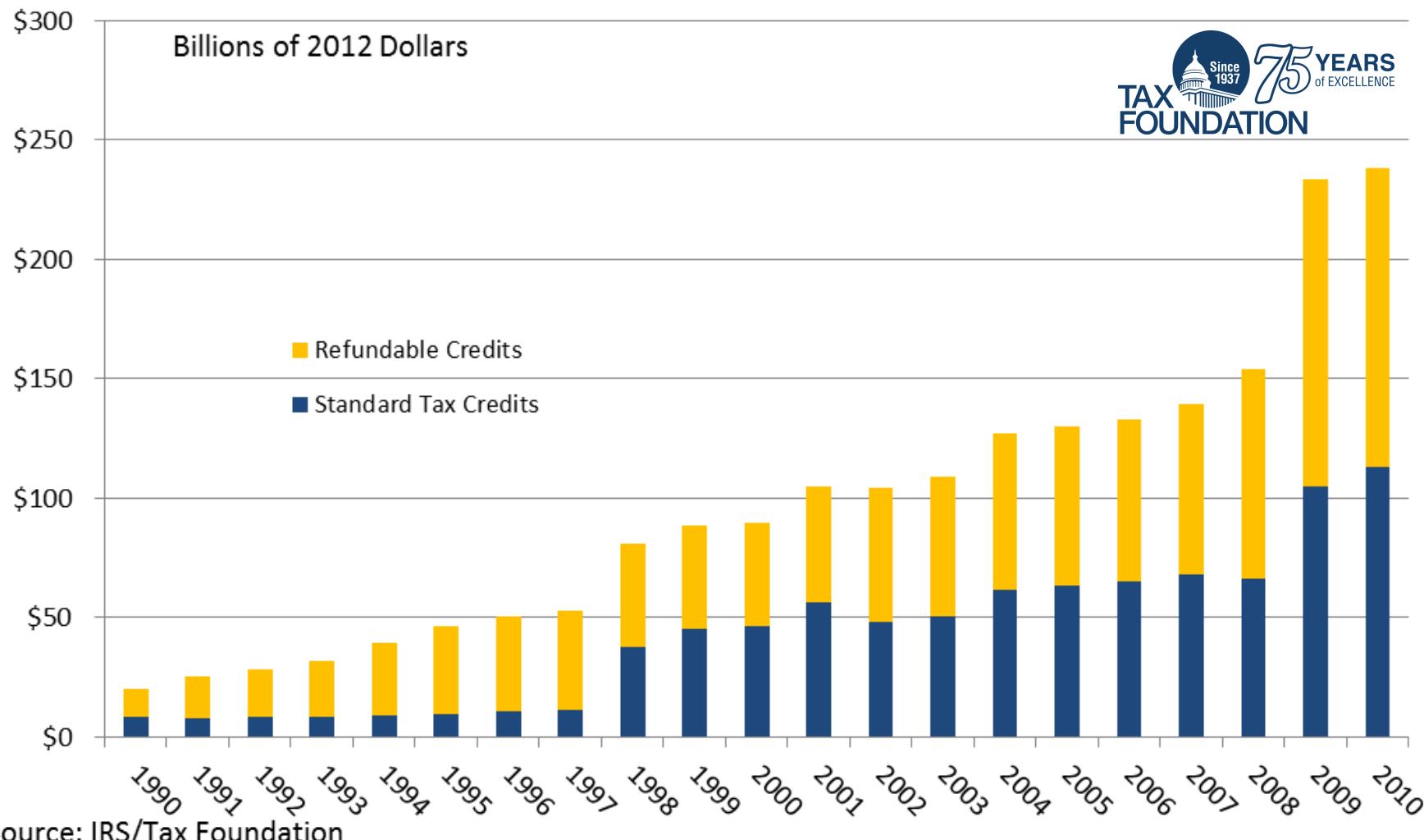
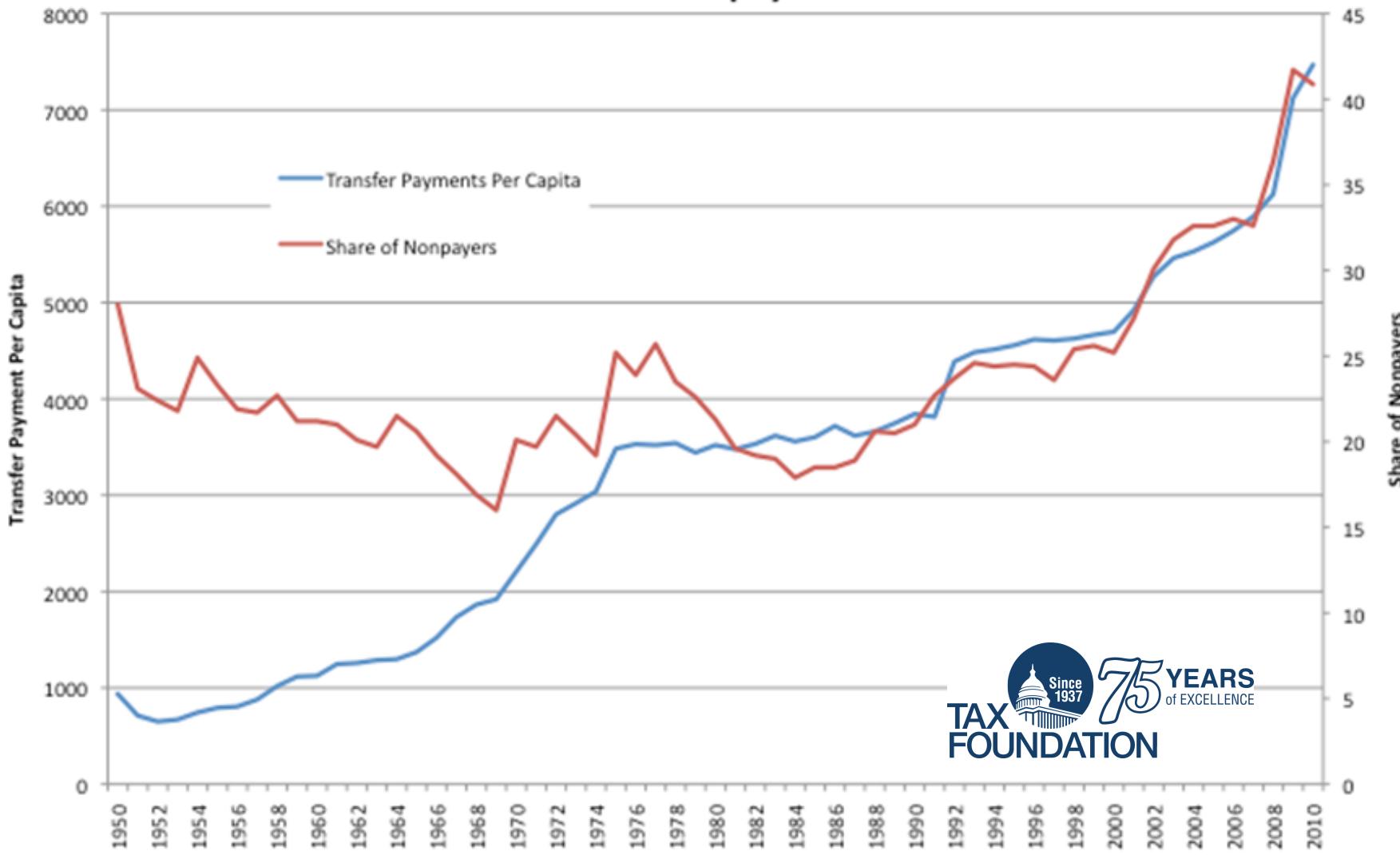
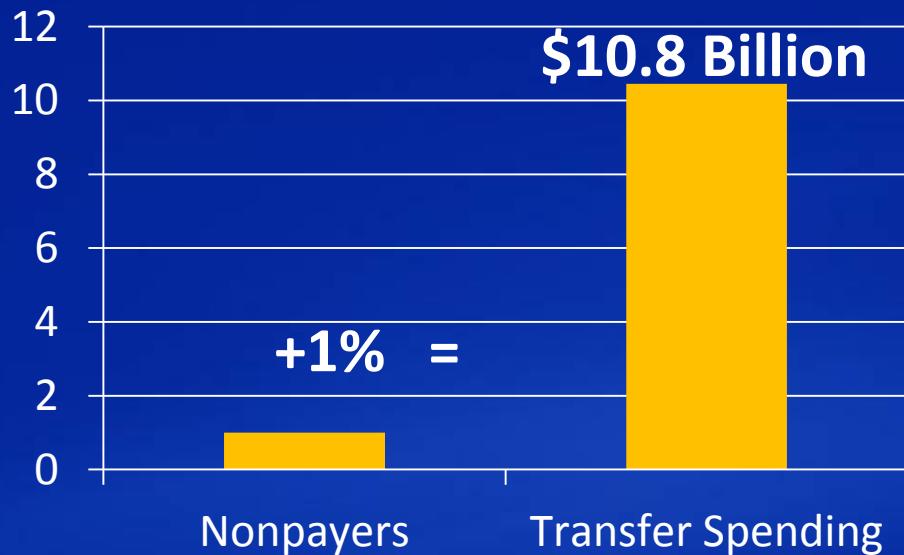


Figure 3: Constant Dollar Transfer Payments Per Capita vs. Share of Nonpayers



The Cost of Nonpayers

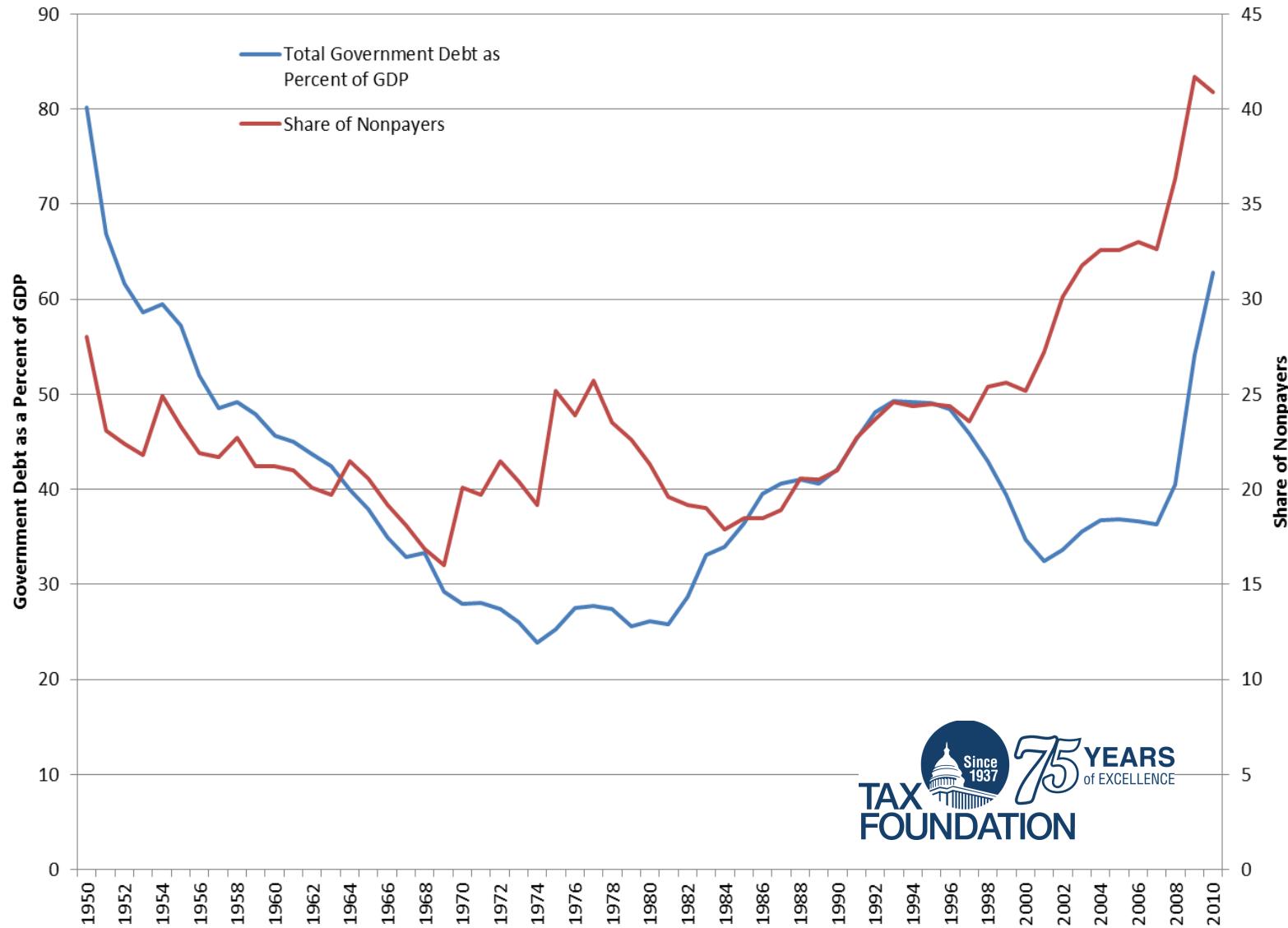


X 20% point Growth
Since 1991



Equals \$215 Billion in
Higher Transfer Spending in
2012

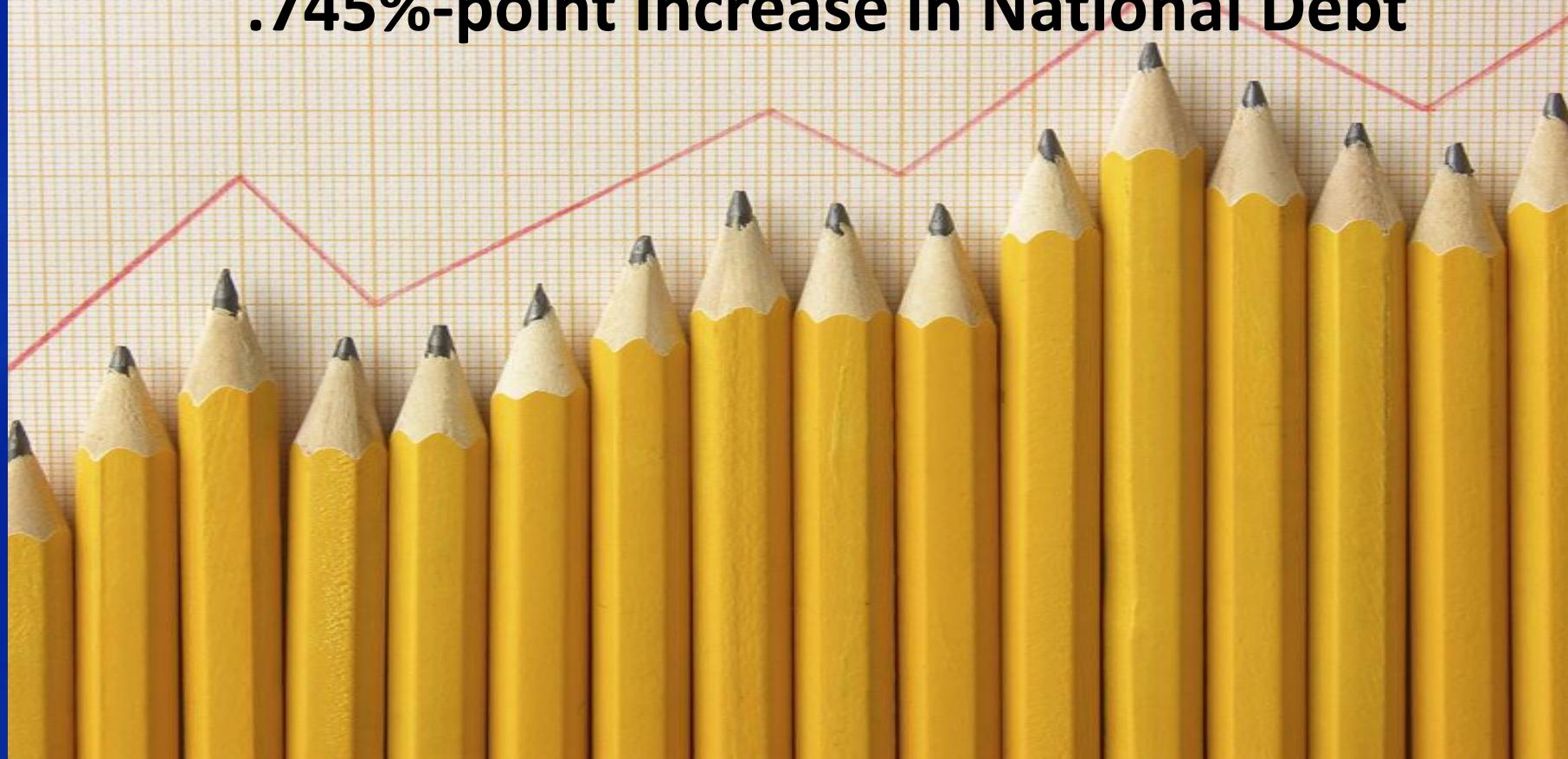
Figure 5: Government Debt as a Percent of GDP vs. Share of Nonpayers



Nonpayers are Associated with Higher Debt



**1%-point Increase in Nonpayers =
.745%-point Increase in National Debt**



Conclusion

- Inequality is not as bad as claimed and fluctuates with the business cycle
- Biggest influences on inequality are demographic – beyond reach of tax code
- Two Americas – taxpayers and nonpayers
- Question: Which is more unfair – Fact that top 2% pays 51% of income taxes or fact that half of Americans pay no income taxes?

