

# Putting a Face on America's Tax Returns

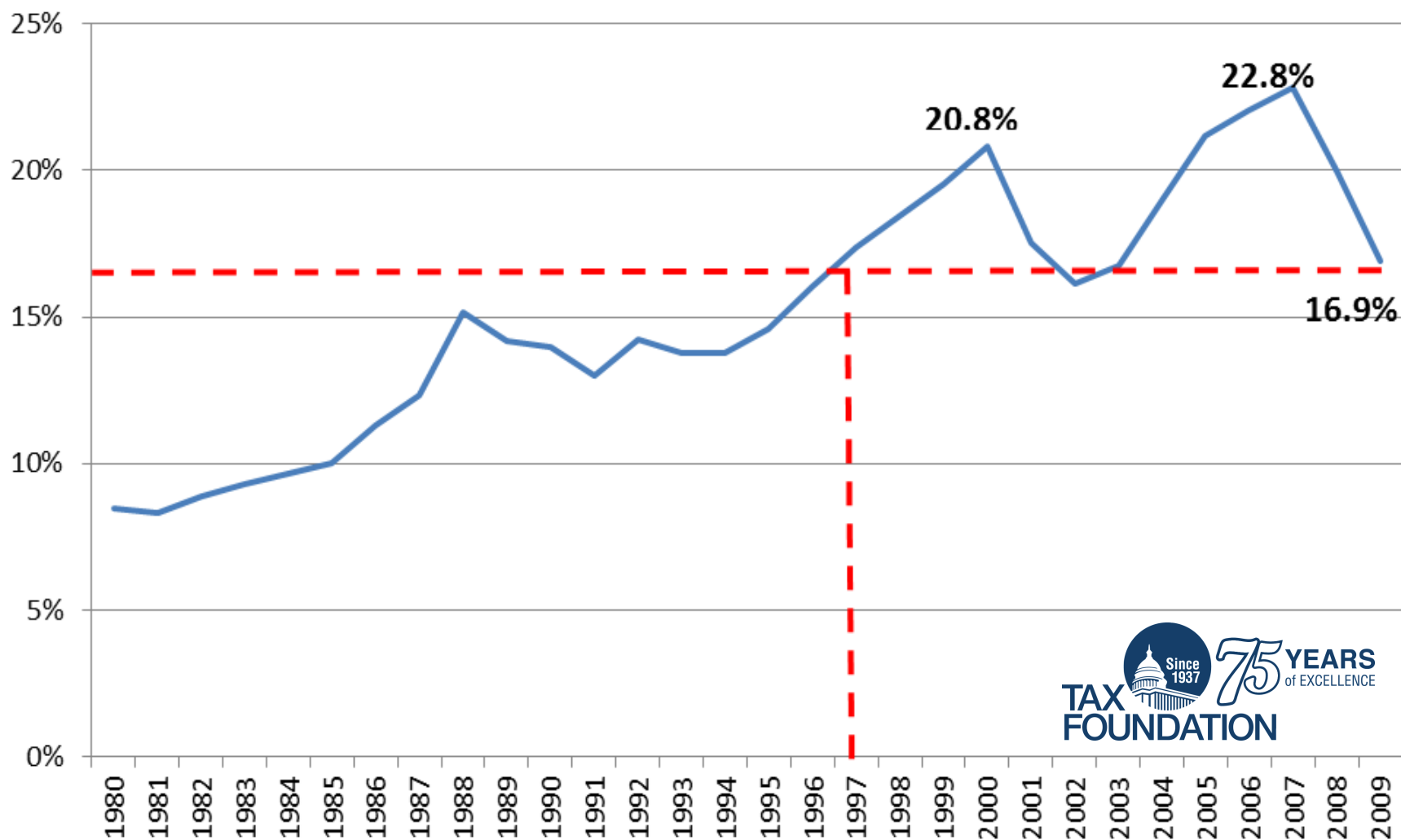


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# Today's Topics

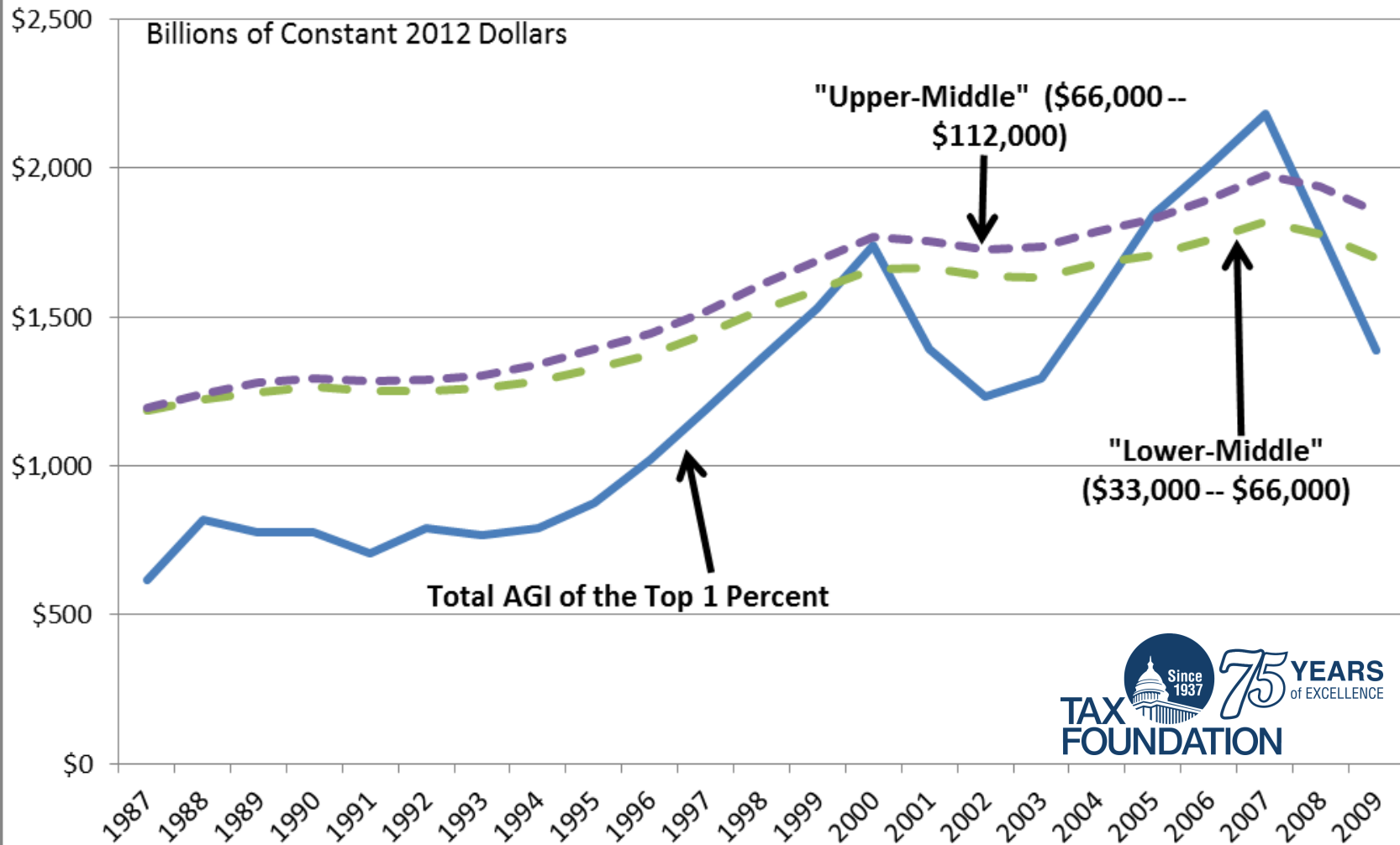
- Inequality: Are we more or less unequal?
- Who earns what and who pays what?
- The changing demographics of American taxpayer – who are the payers
- The growth and cost of nonpayers

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



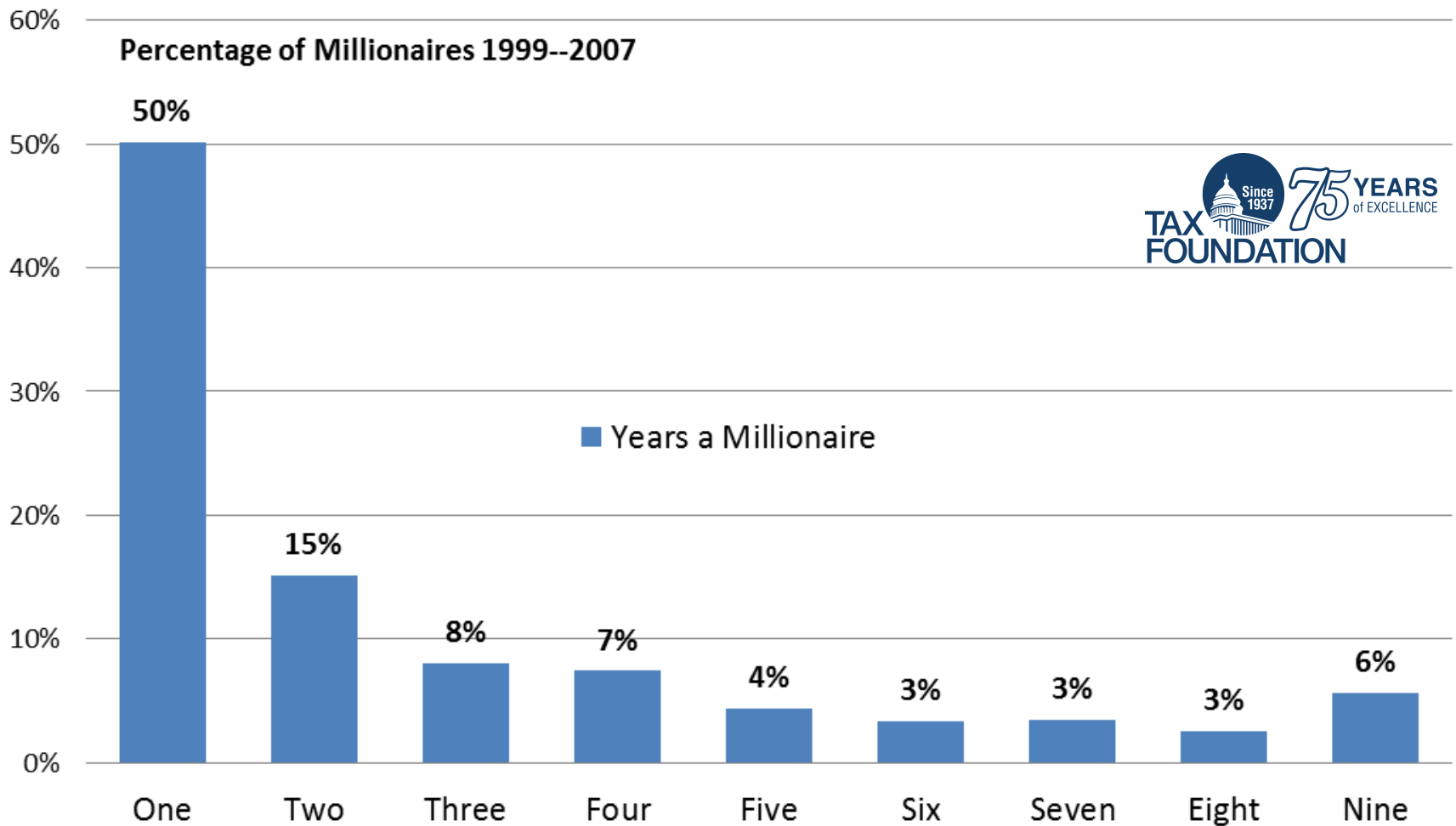
Source: IRS

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



Source: Tax Foundation/IRS

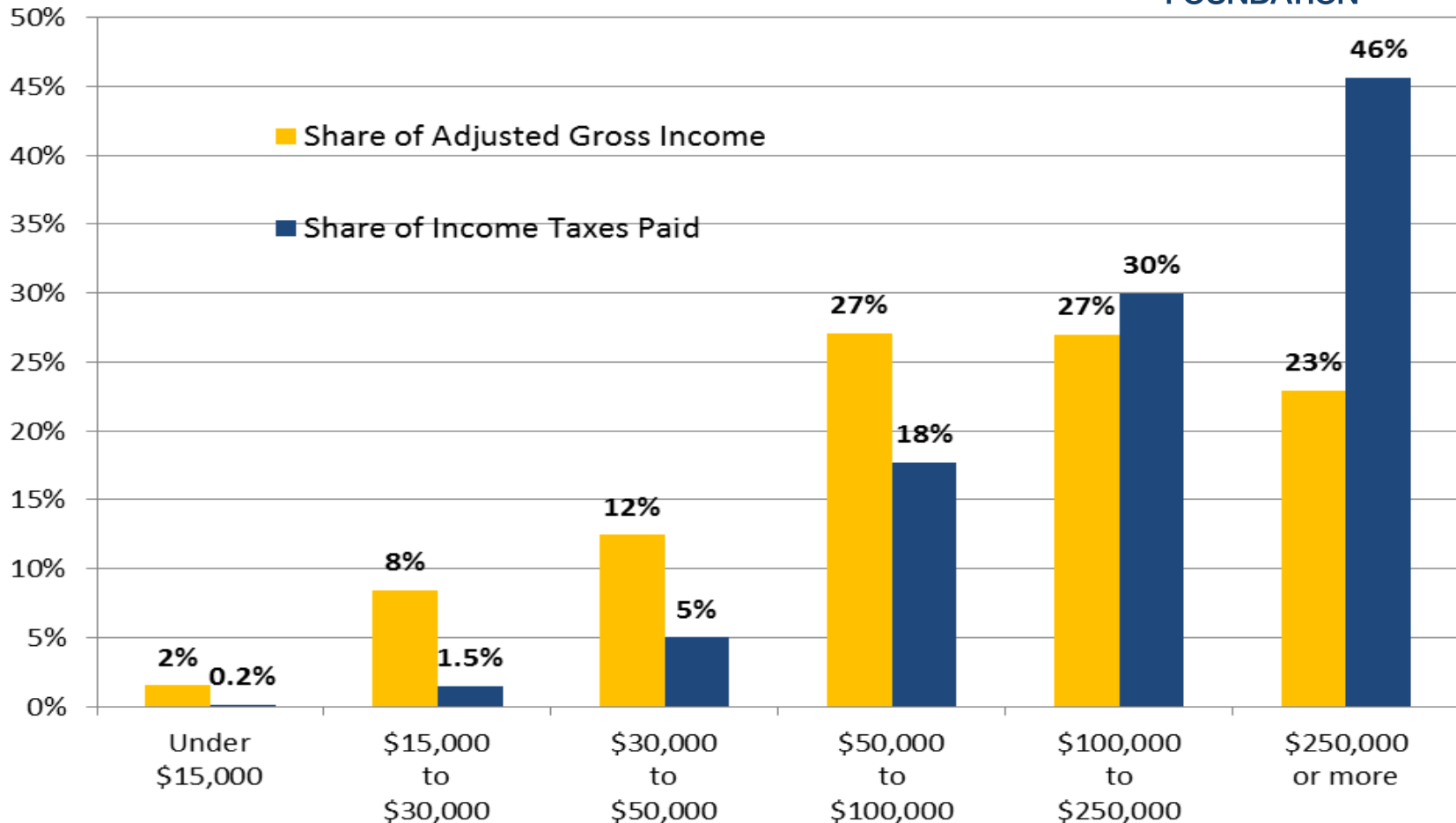
# Millionaire Status is Fleeting



Source: Tax Foundation calculations based on IRS data

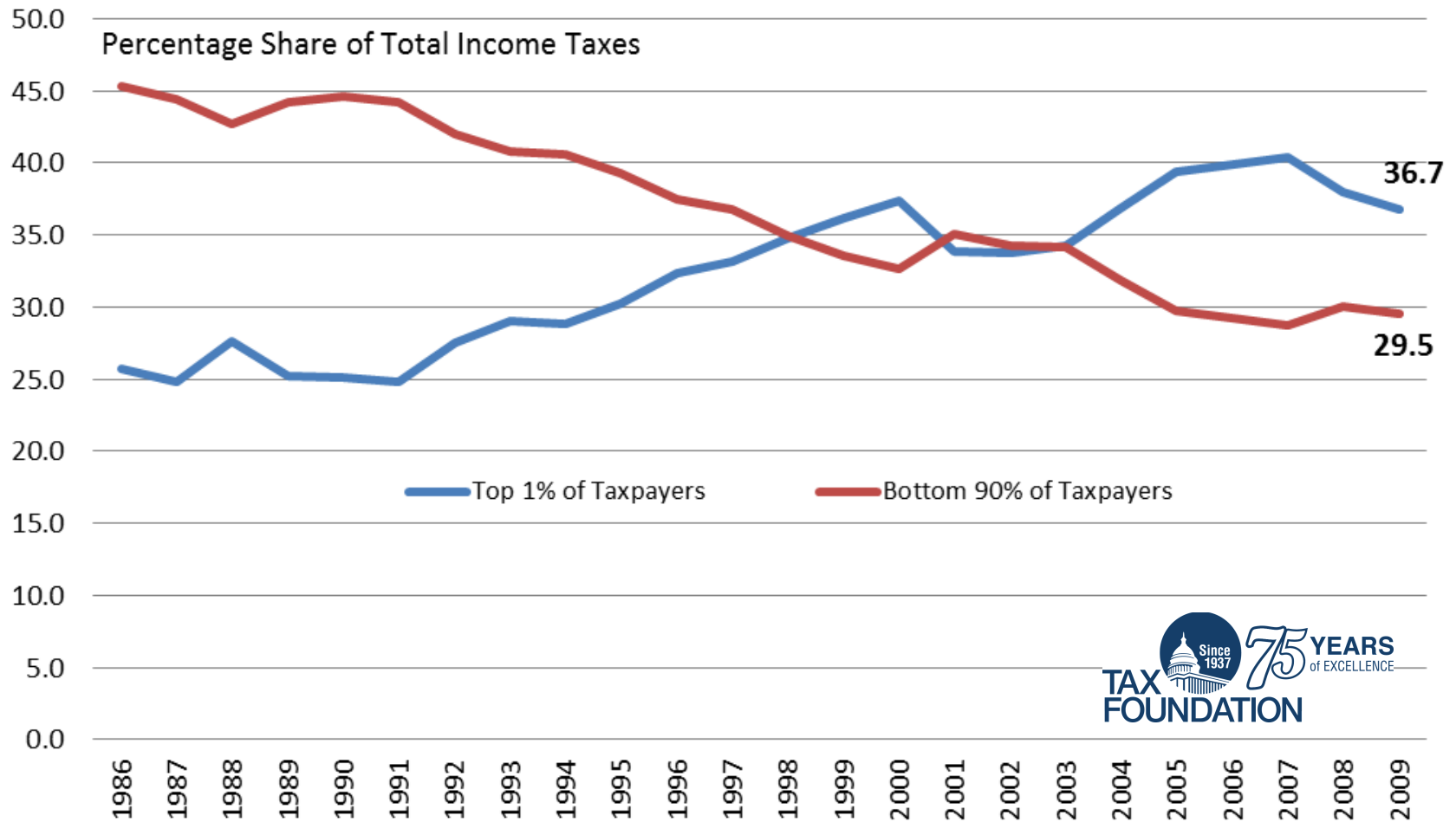
# Who Earns What? Who Pays What?

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



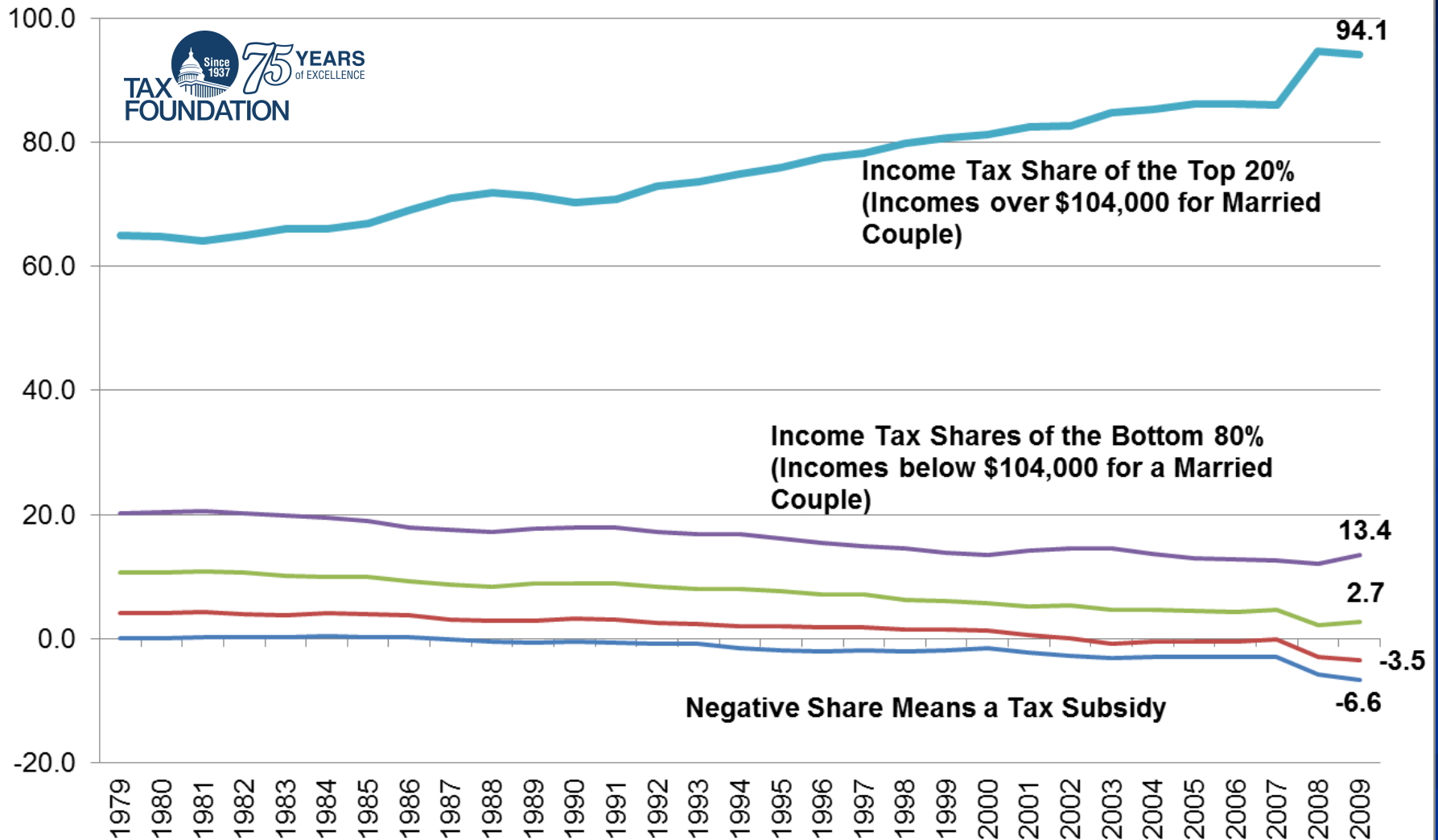
Source: IRS

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



Source: IRS

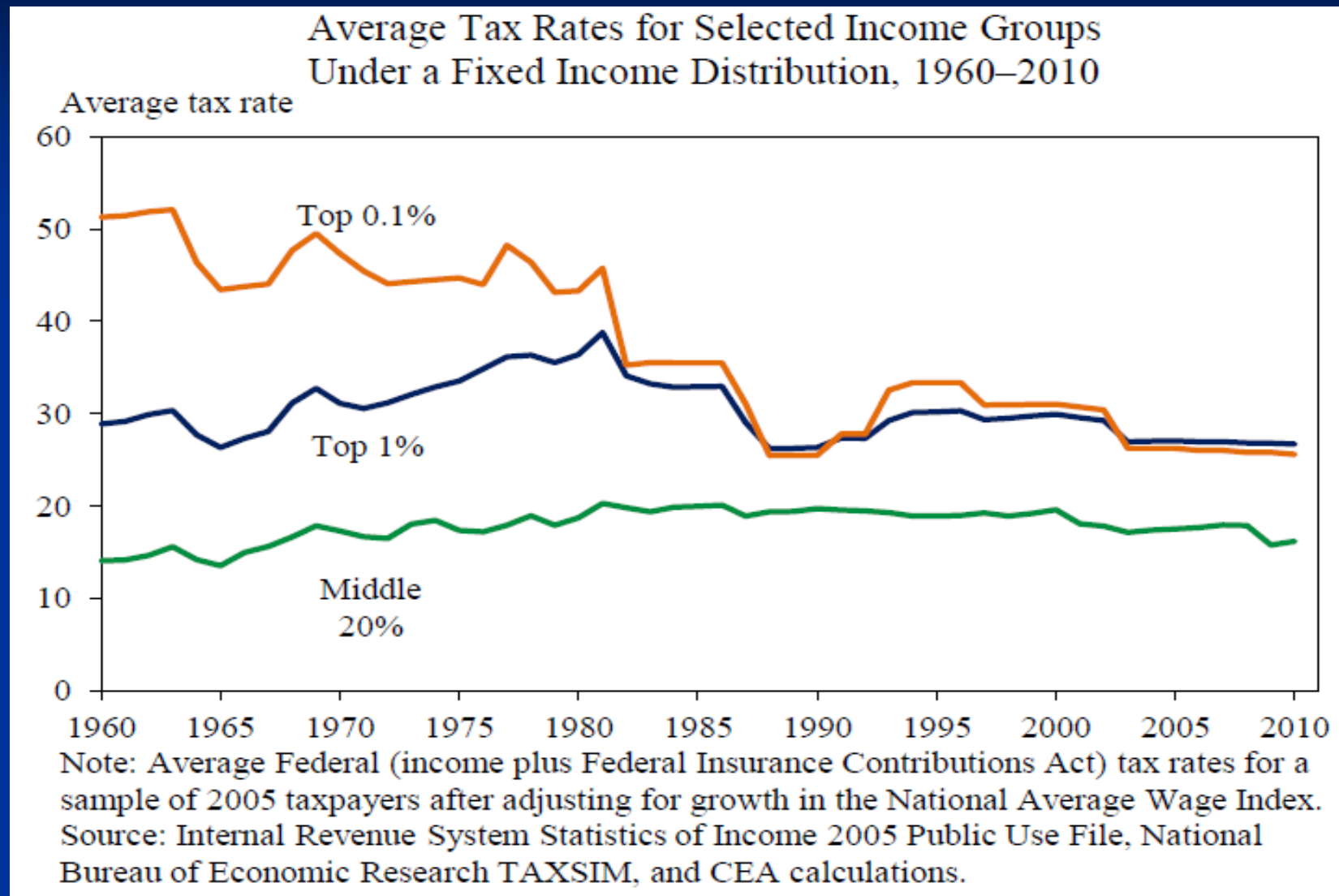
## Top 20% of Taxpayers Now Pays 94% of All Income Taxes



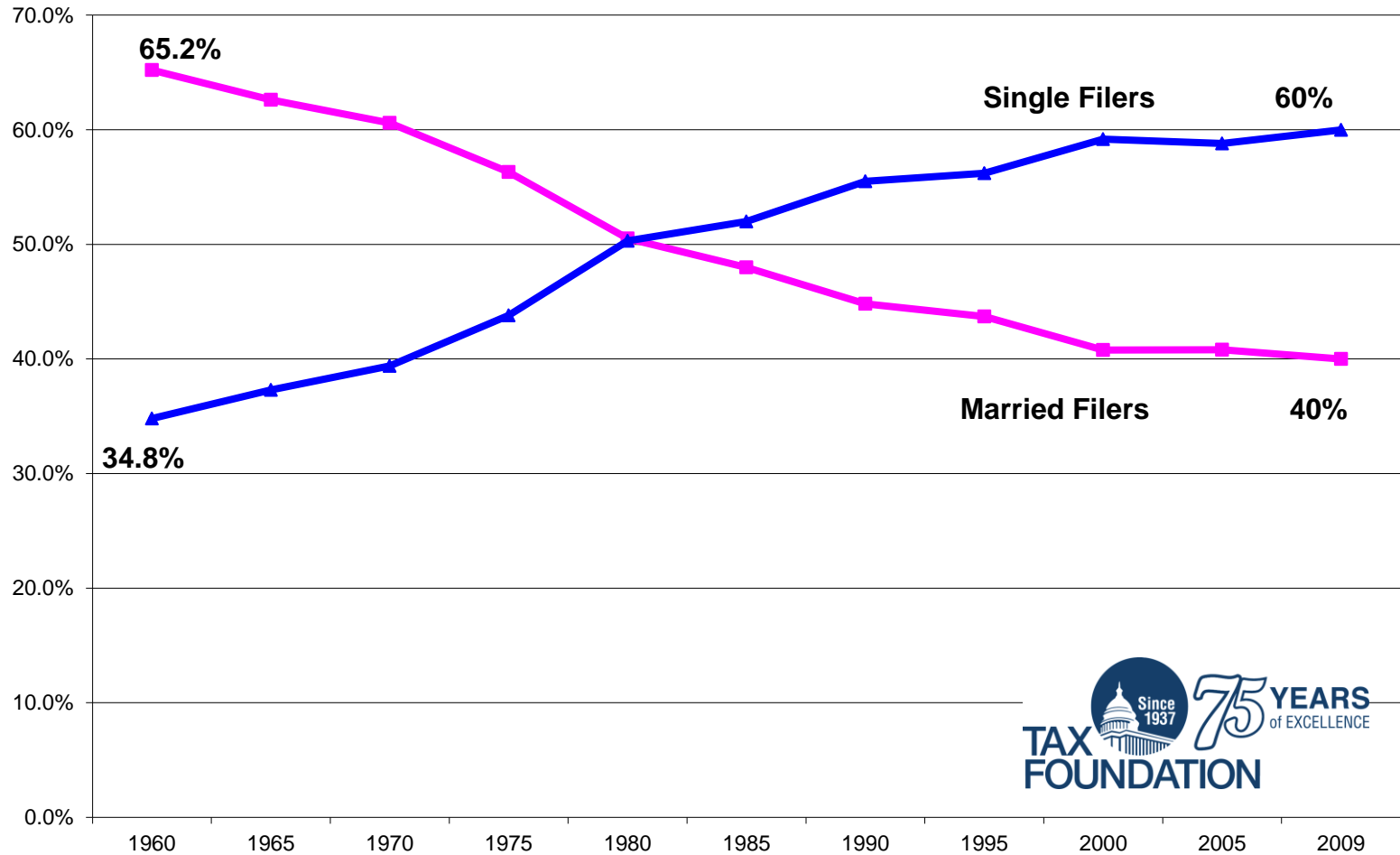
Source: CBO



# Does Buffett Really Pay Less Than His Secretary?

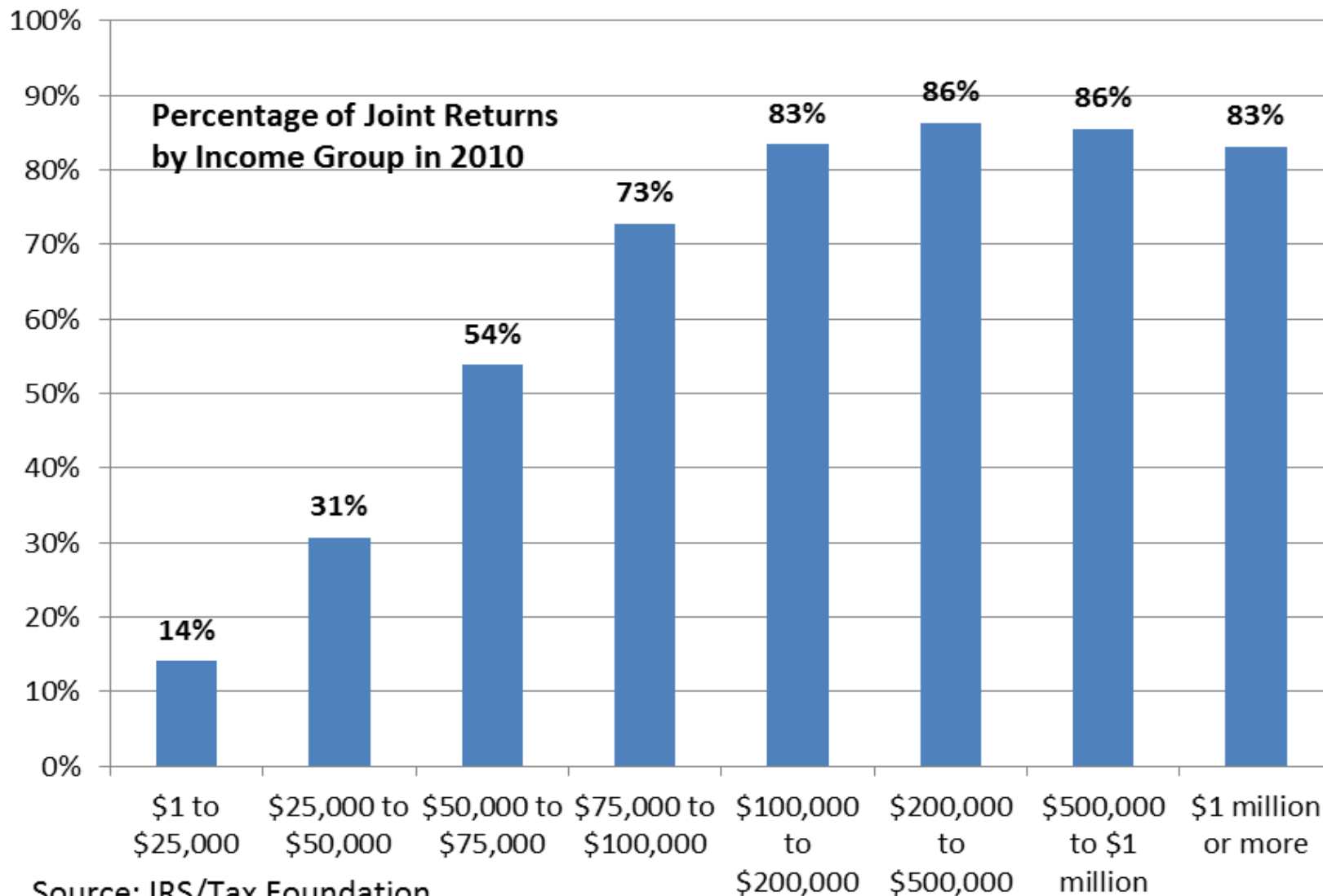


## Singles Are Now the Majority of Taxpayers

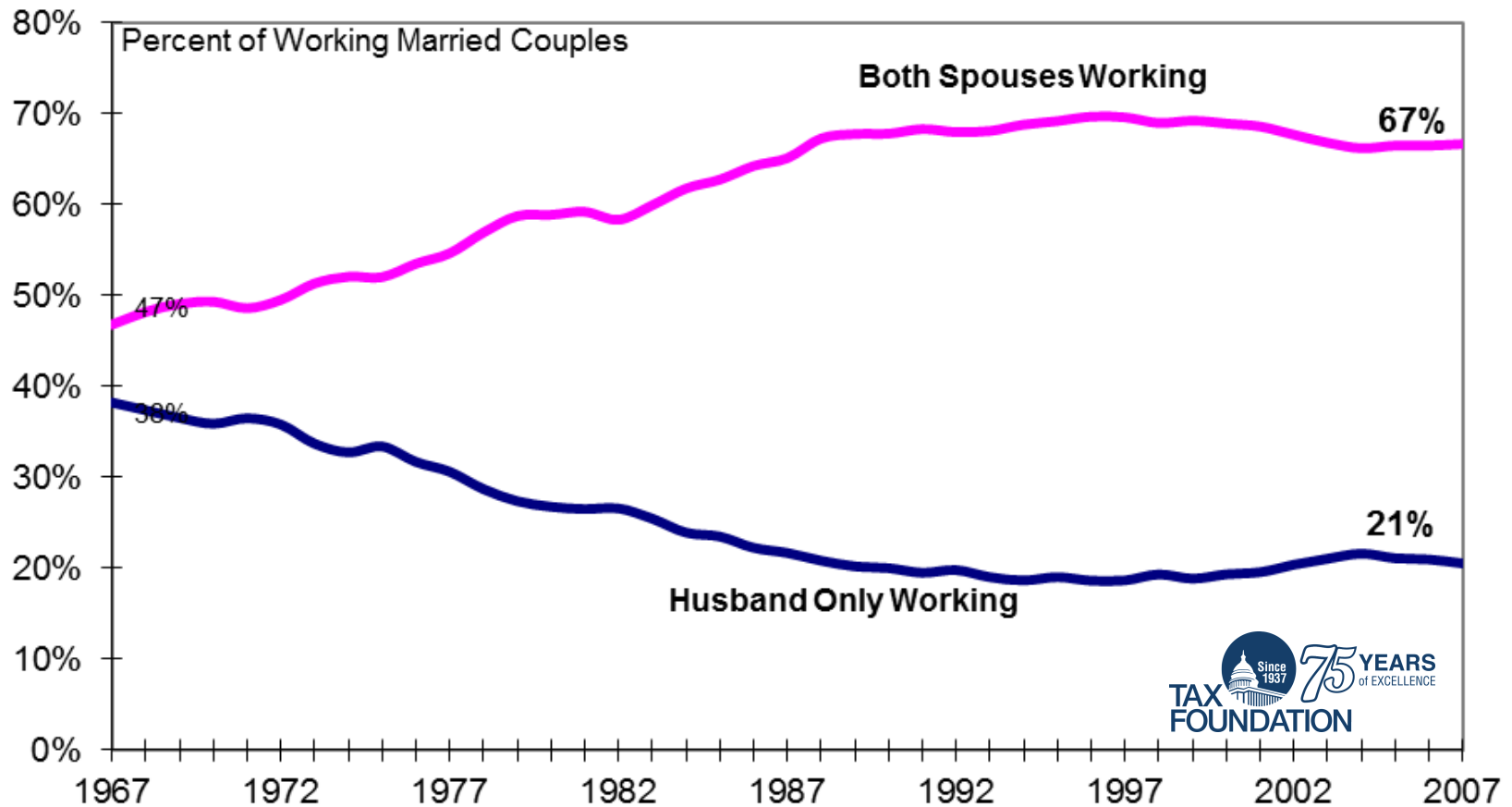


\*Source: IRS, single includes head of household filers, married includes married filing separately

## High-Income Taxpayers are Overwhelmingly Married Couples

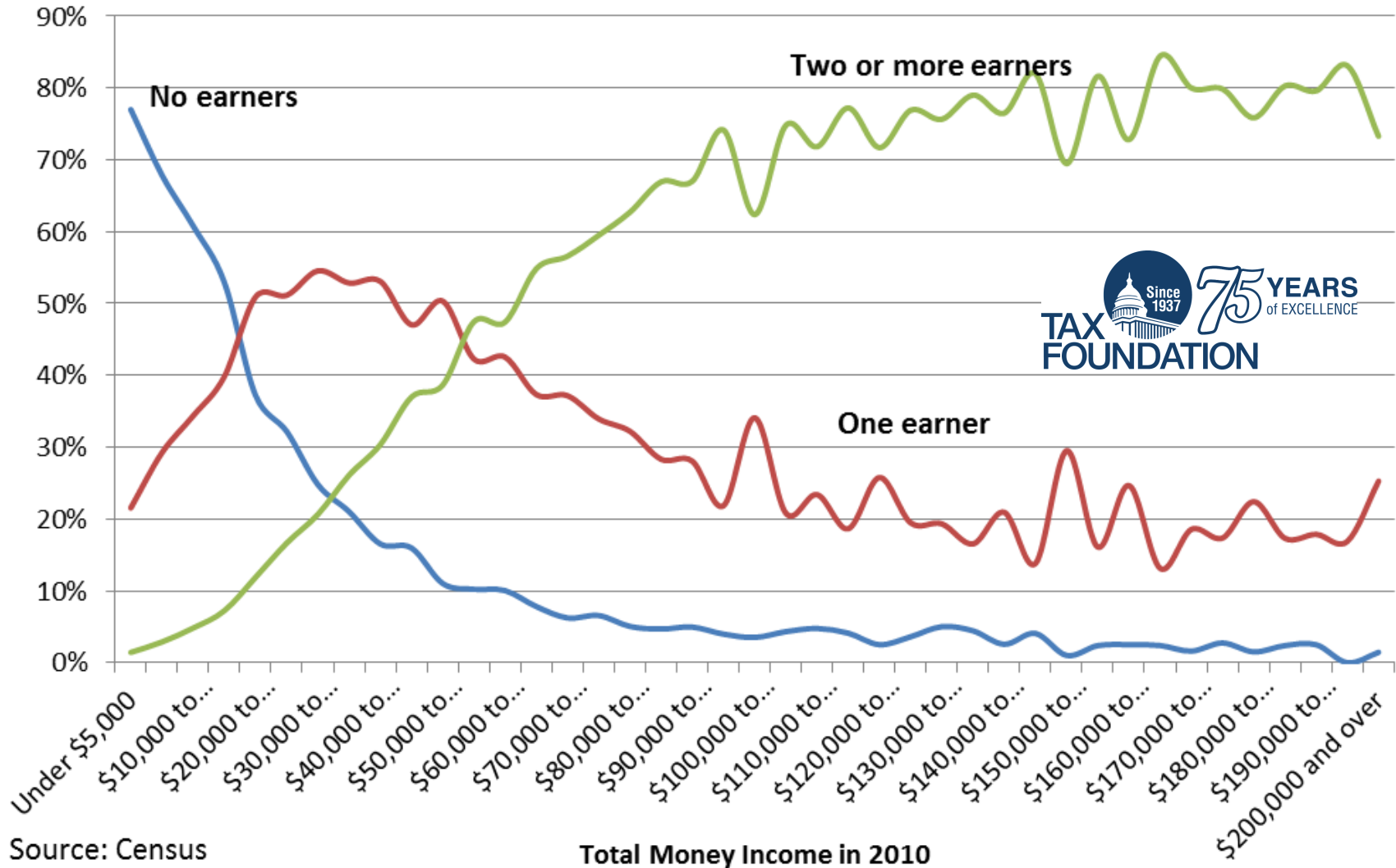


## America Has Become a Nation of Dual-Income Working Couples



Source: Current Population Survey, BLS 2009

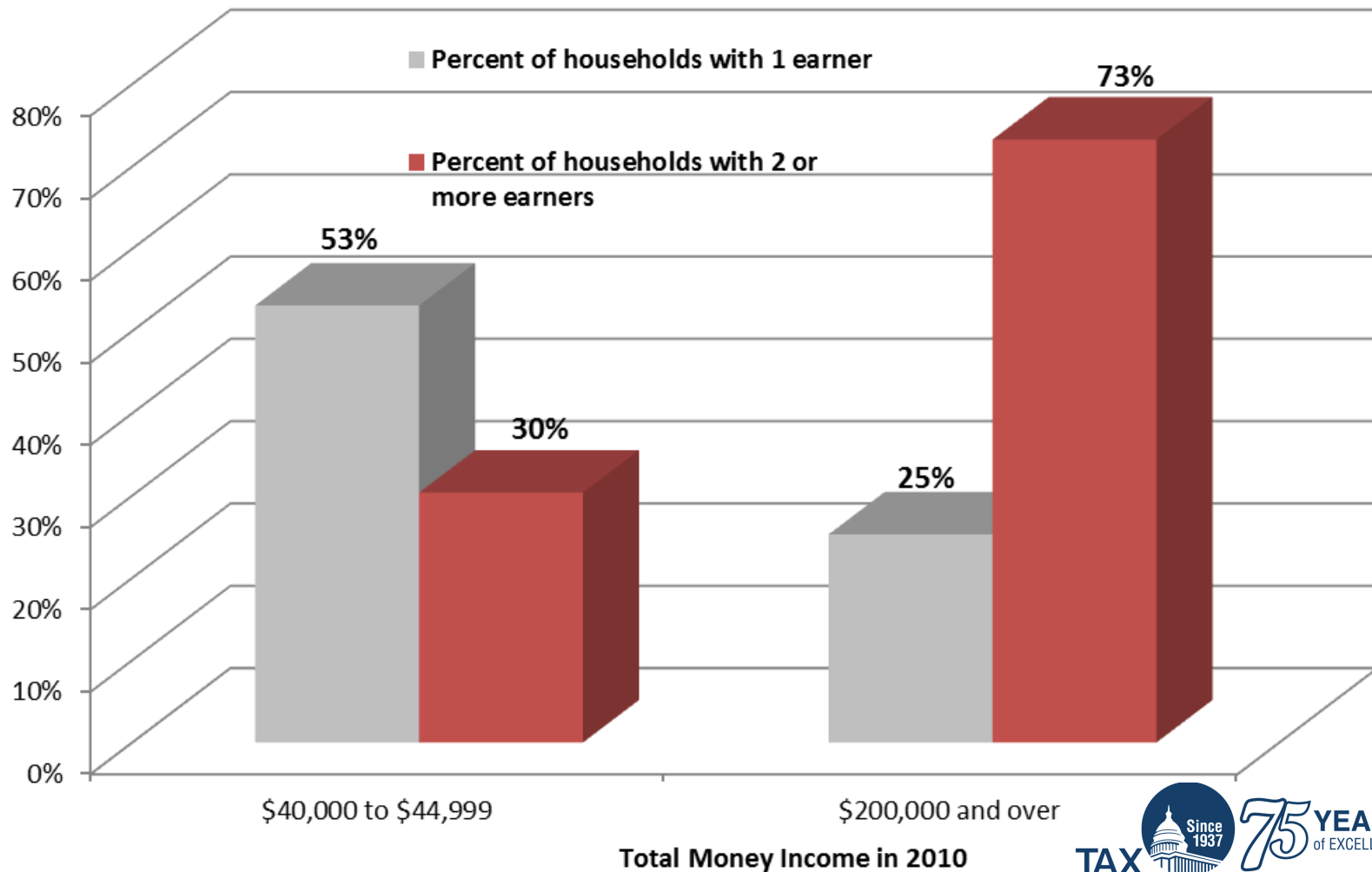
## The Higher the Household Income, The More Earners in the Family



Source: Census

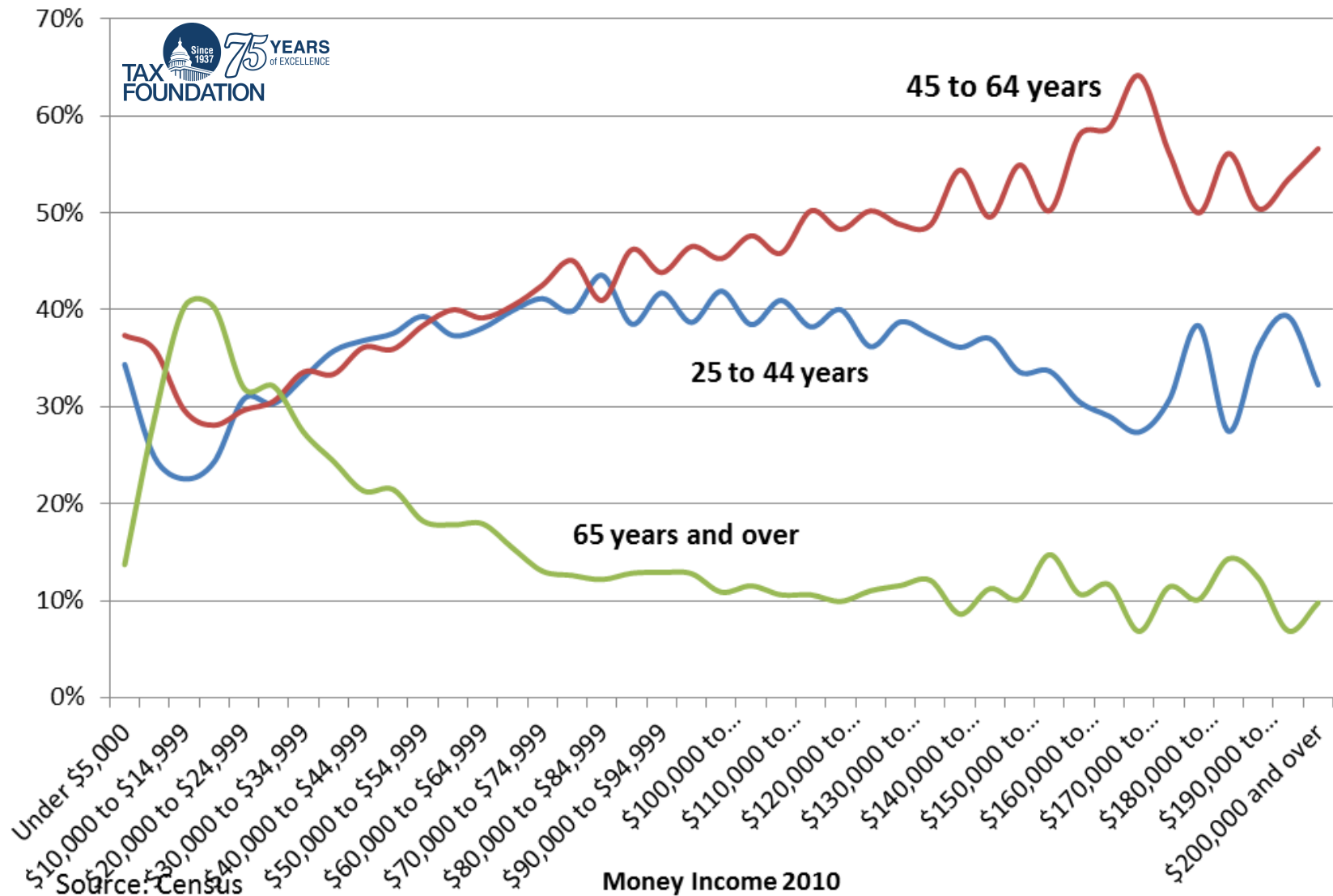
Total Money Income in 2010

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

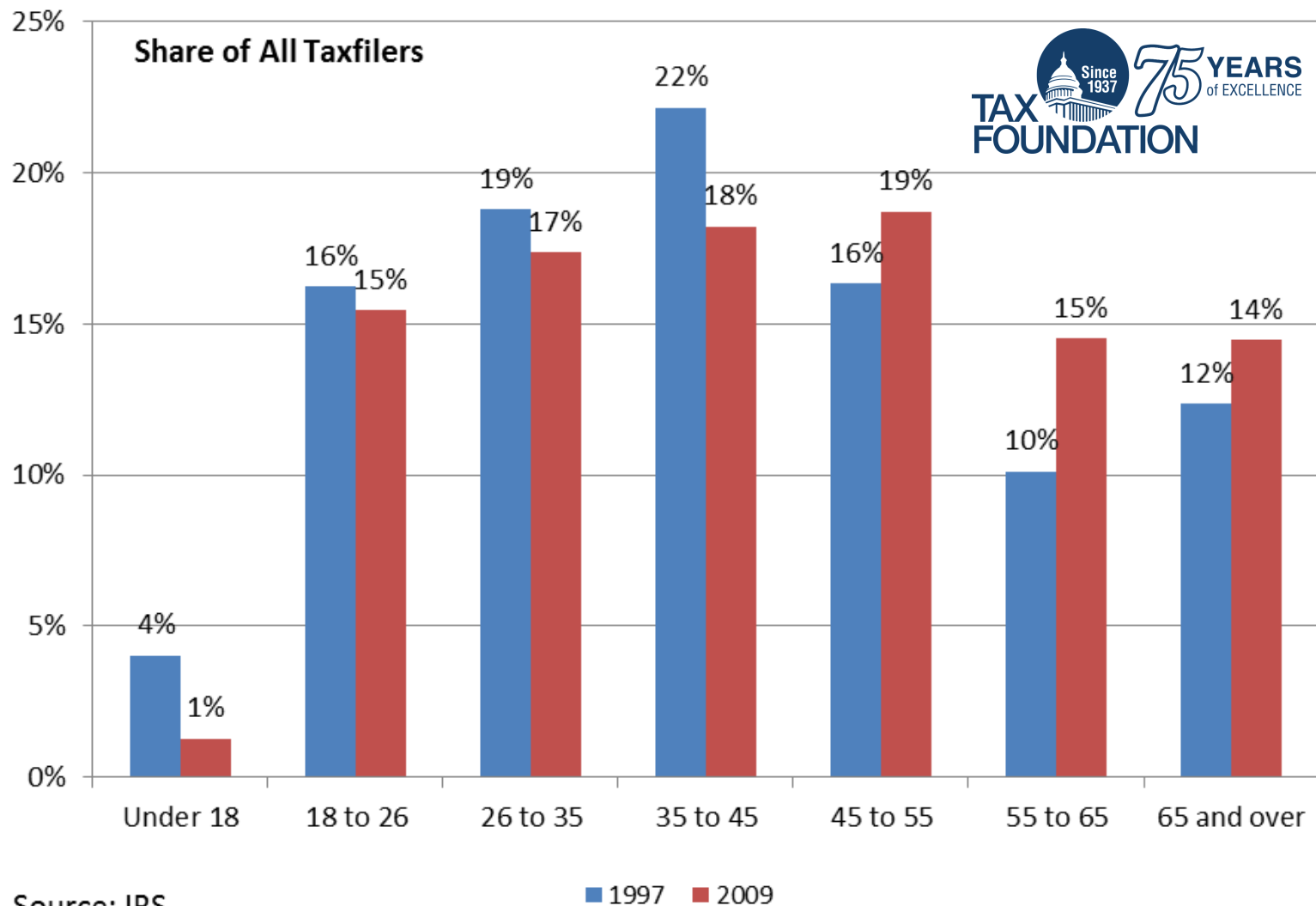


Source: Census

## Income is Associated With Age: Boomers Tend to Be Wealthier

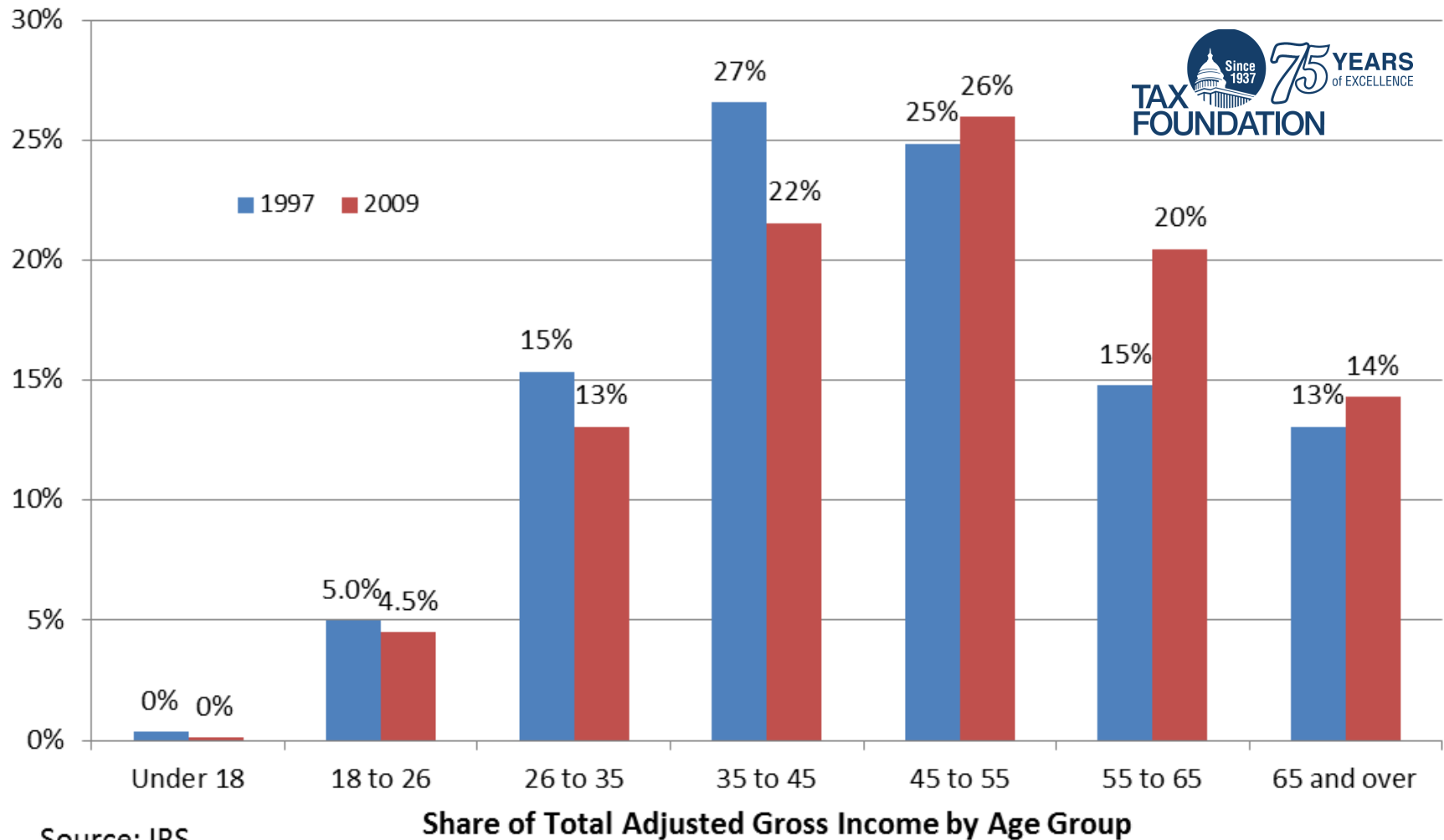


## America's Taxpayers are Much Older Than They Were in the 1990s

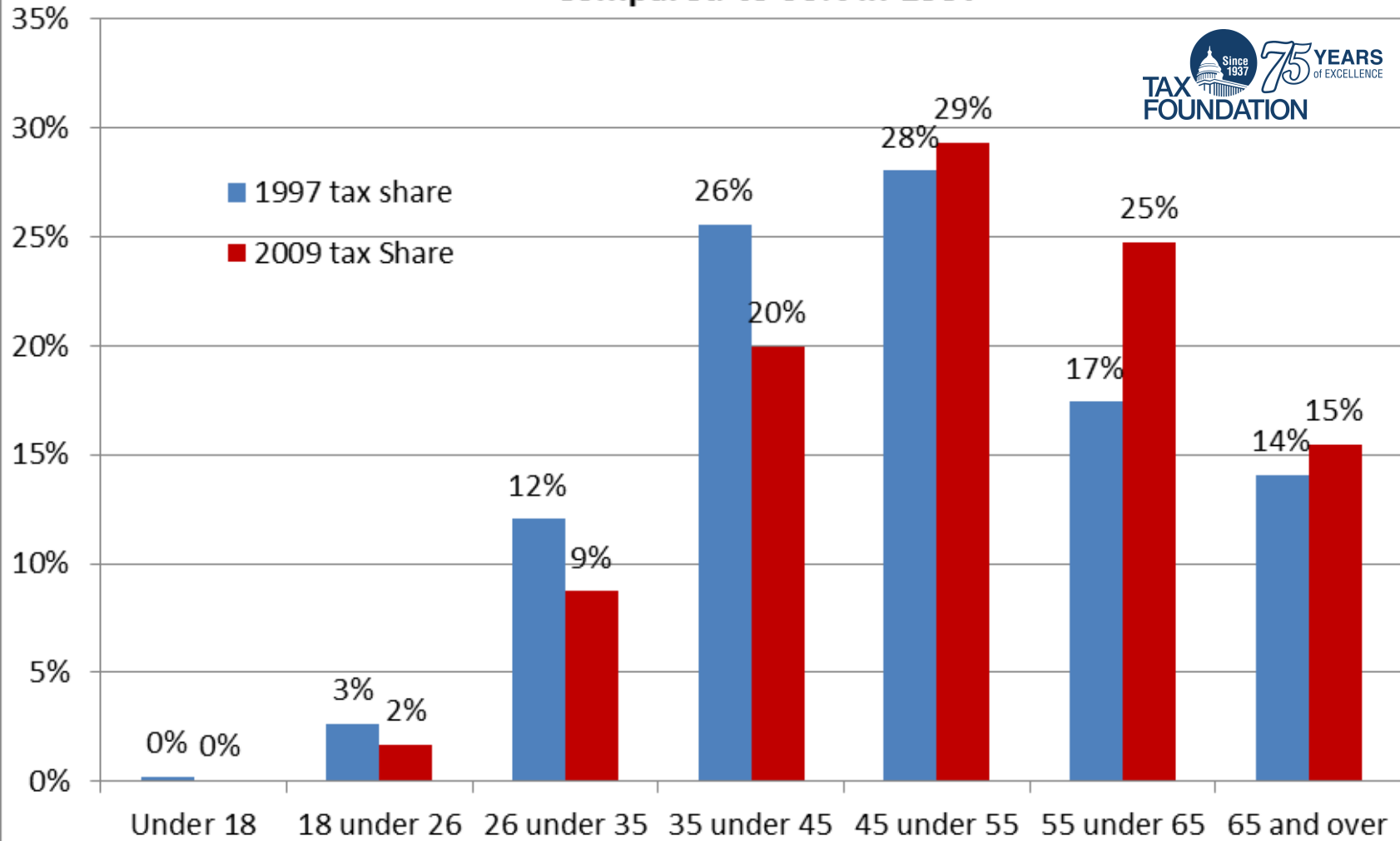




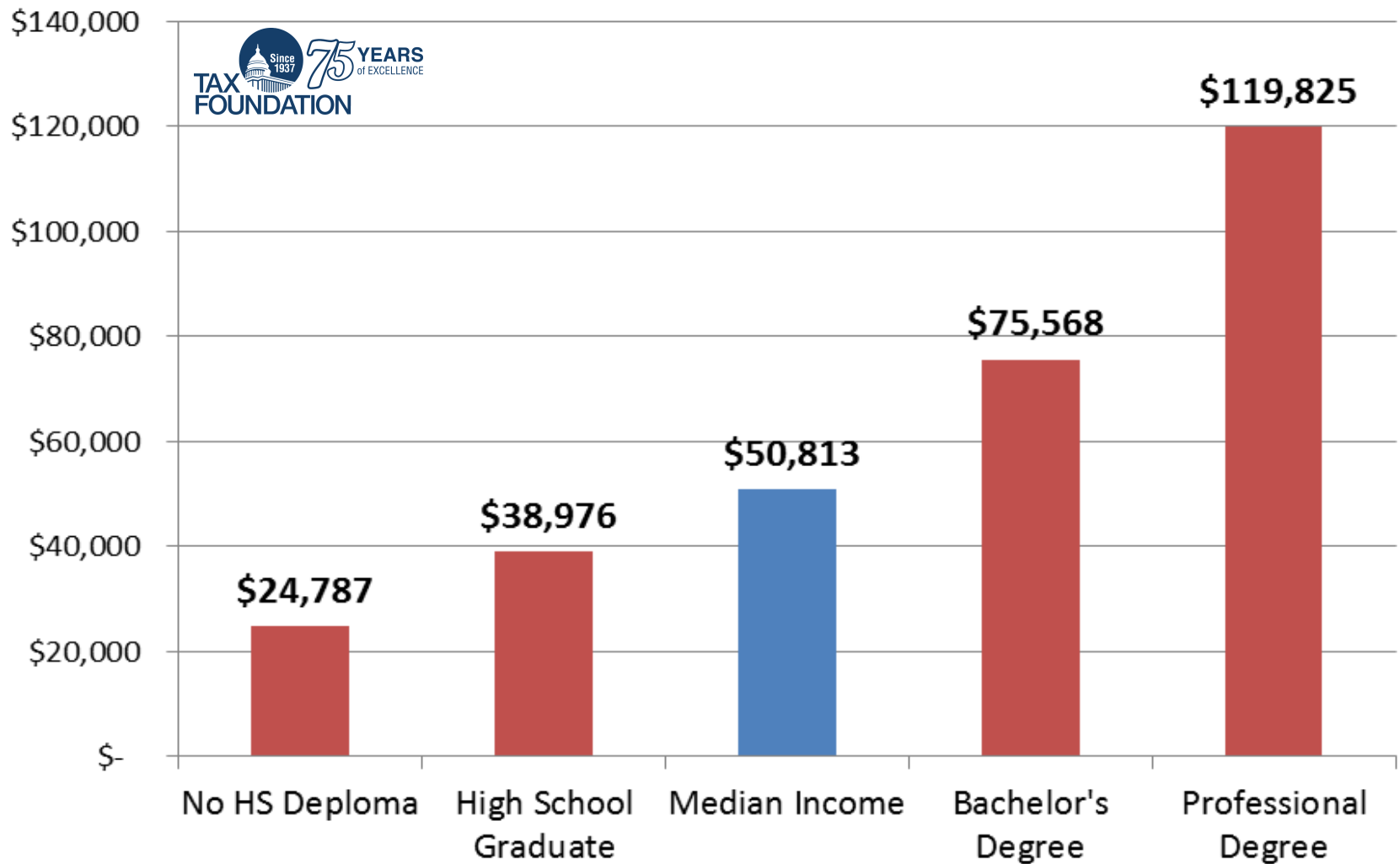
## And They Earn a Greater Share of the Nation's Income than They Did in the 1990s



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

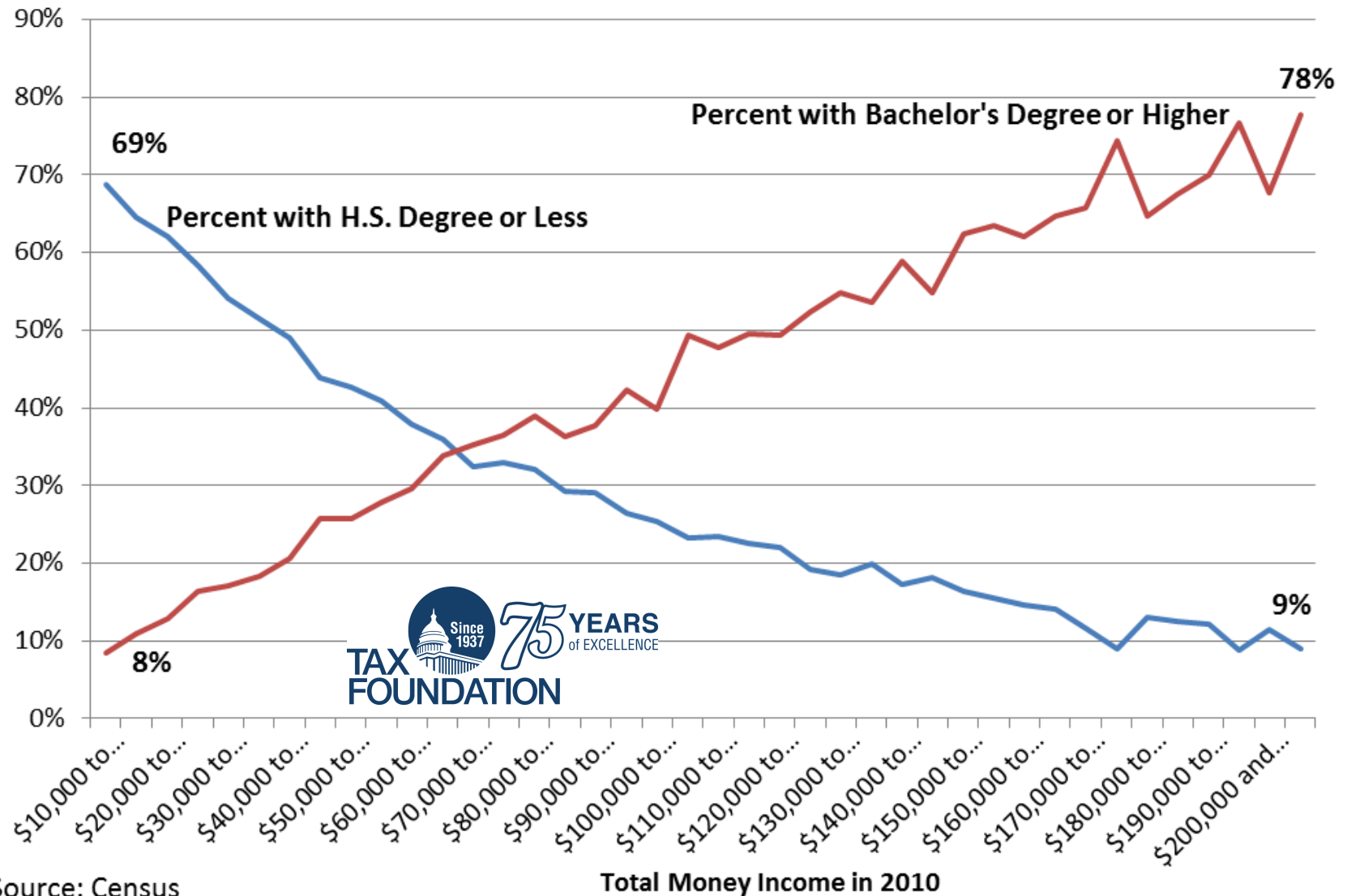


## Median Incomes Vary Greatly by Educational Attainment

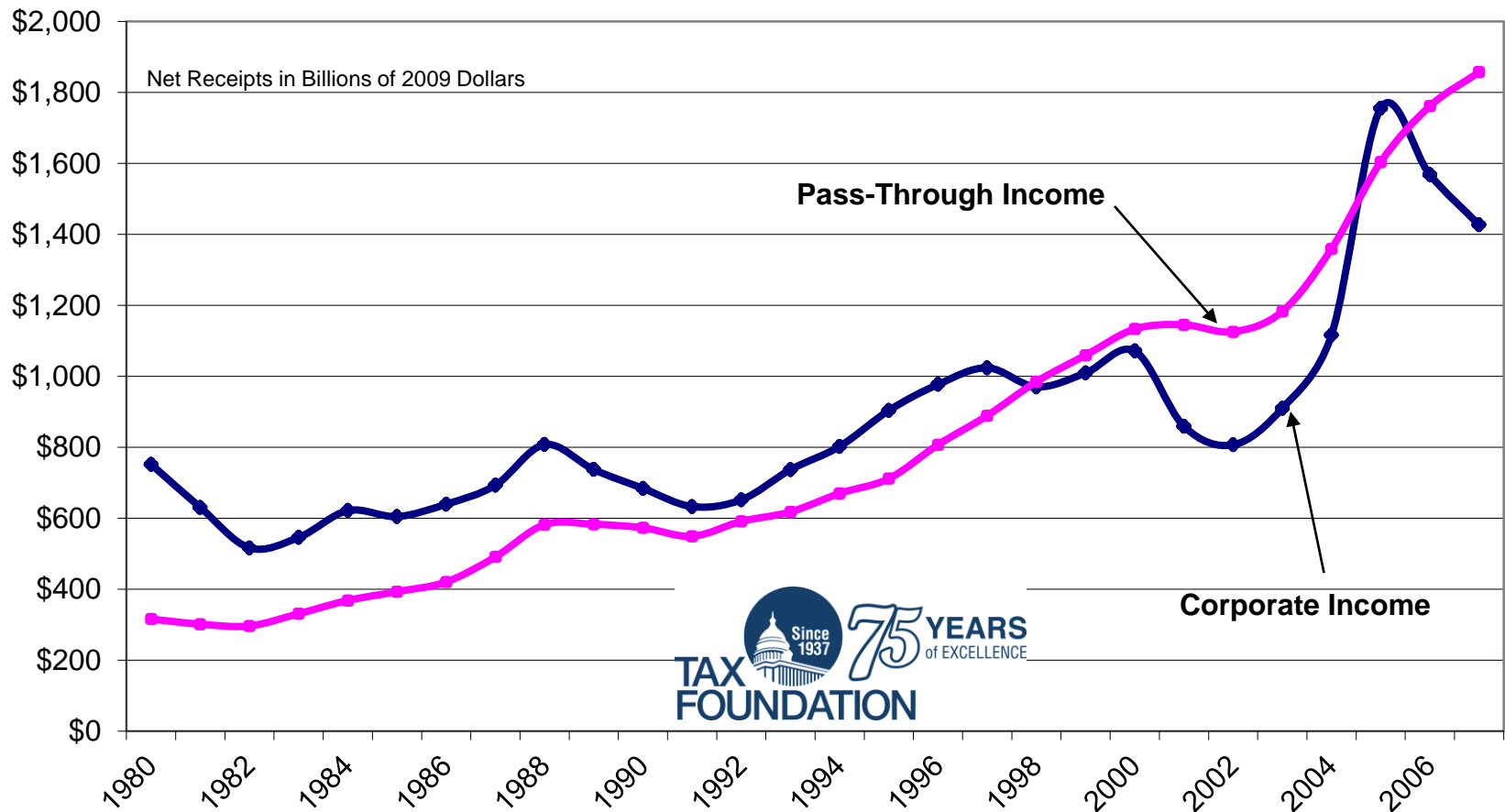


Source: Census

## America's Income Gap is Really an Education Gap

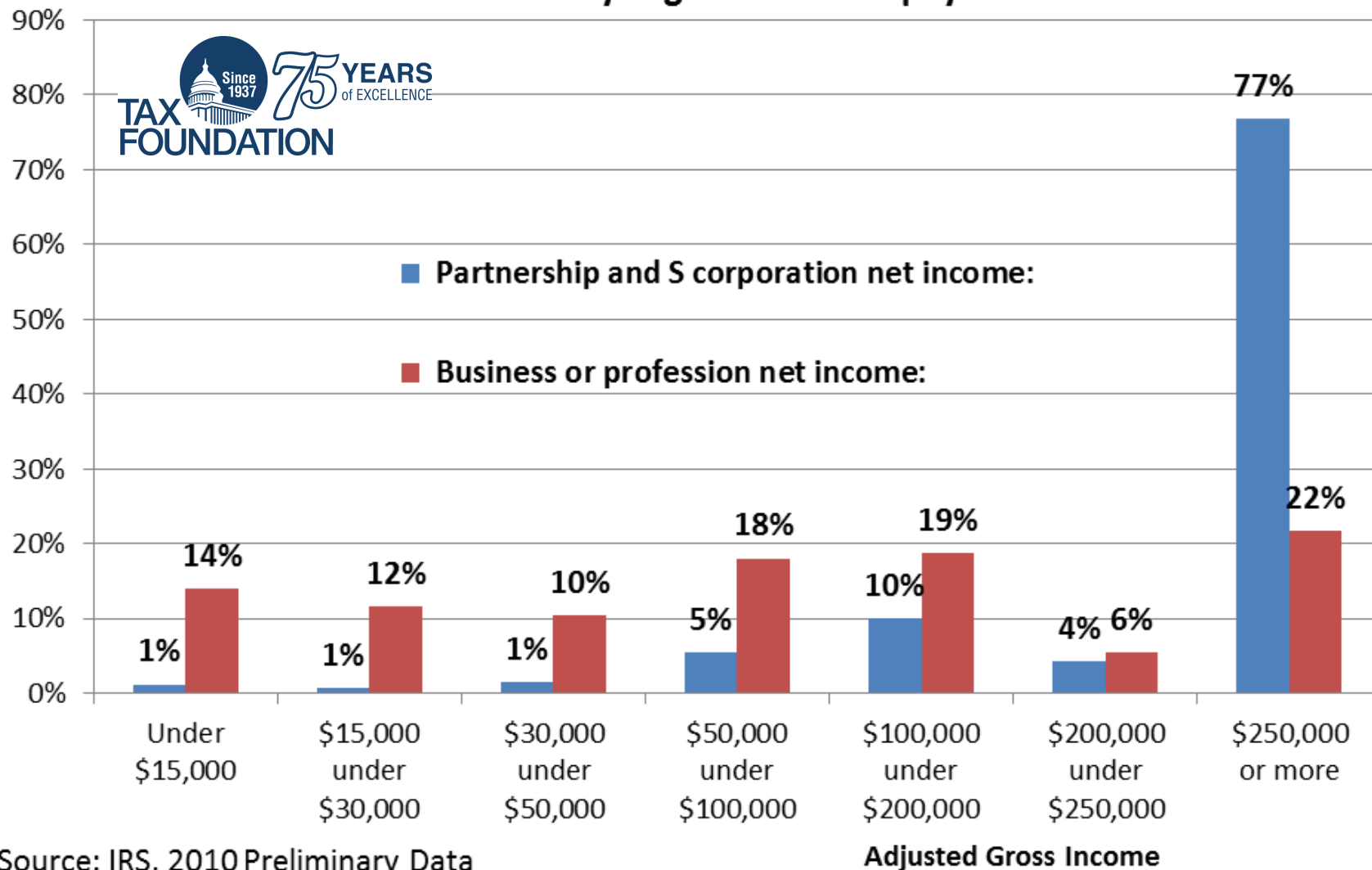


# More Business Income is Now Taxed Under the Individual Tax Code than Corporate Code

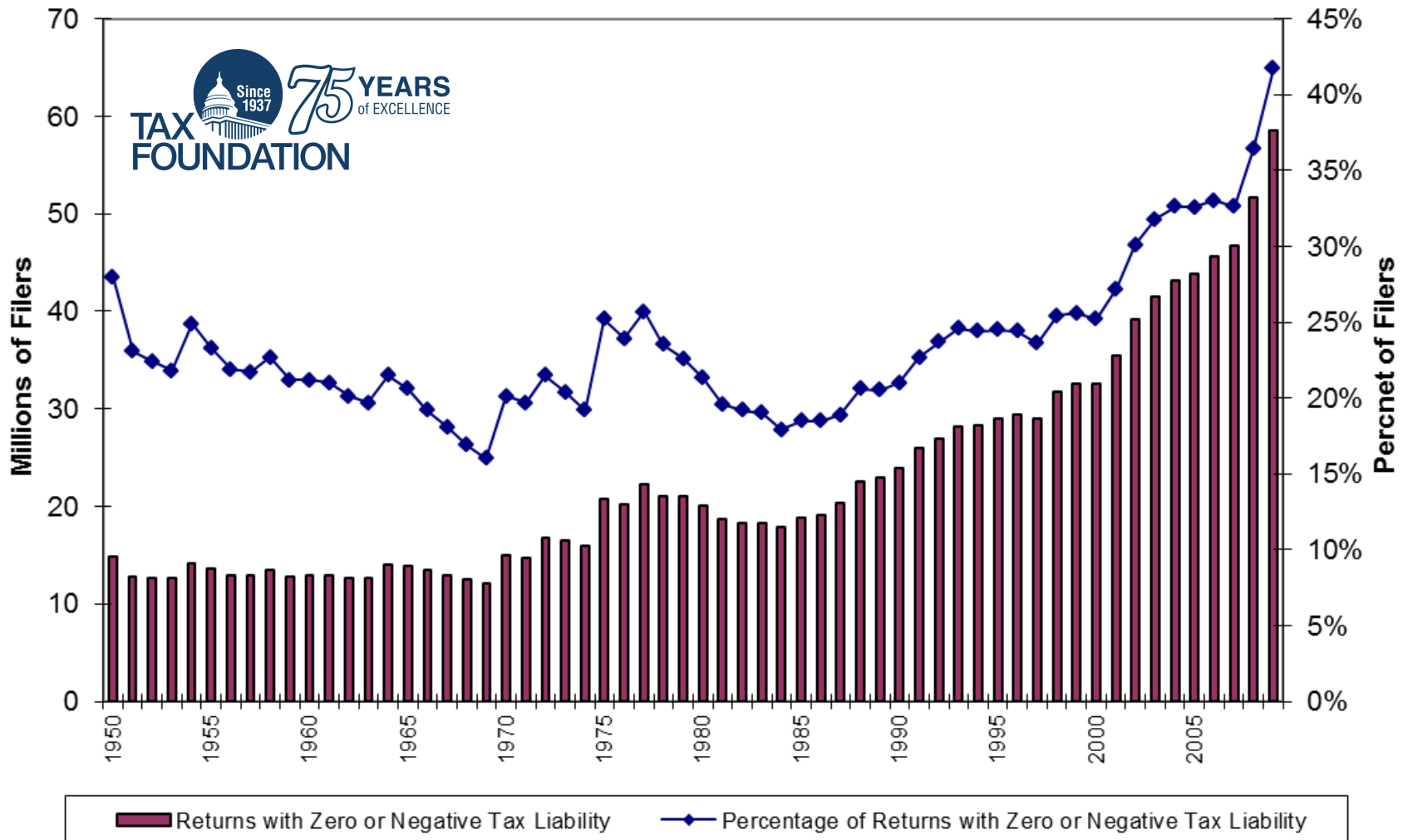


Source: IRS, Statistics of Income

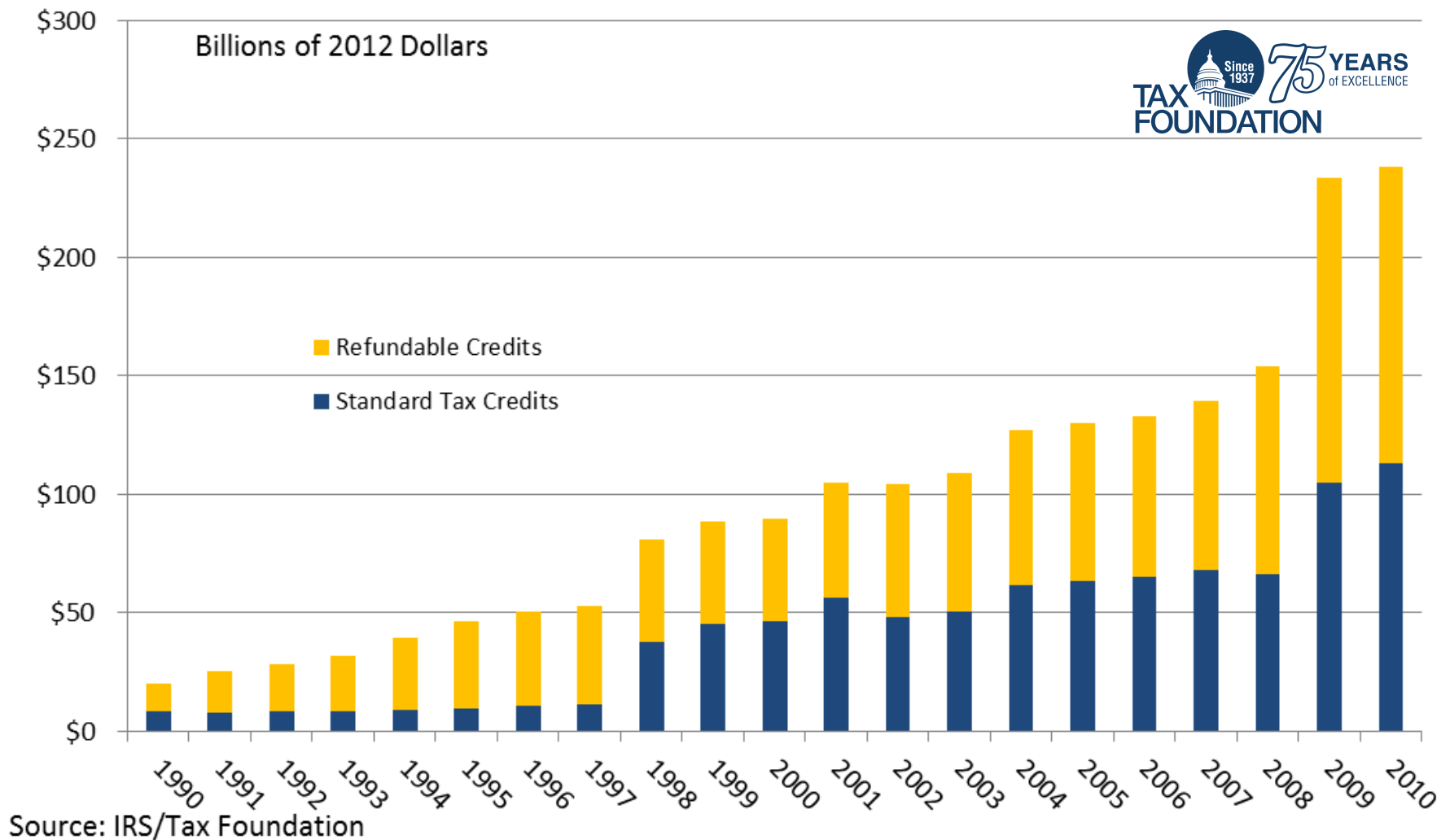
## The Majority (55%) of All "Pass-Through" Business Income is Earned by High-Income Taxpayers



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

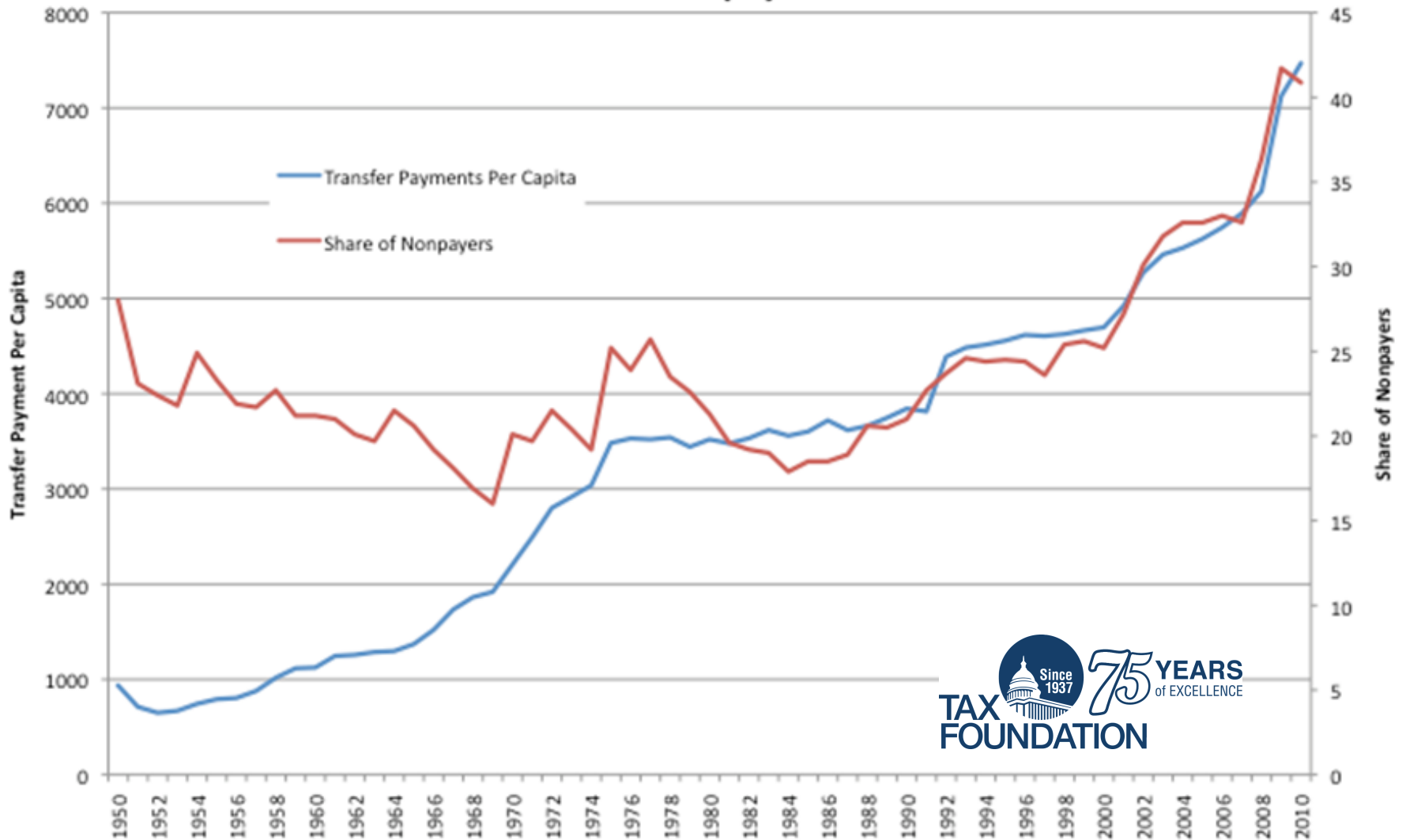


## Tax Credits Have Grown Considerably In Recent Years

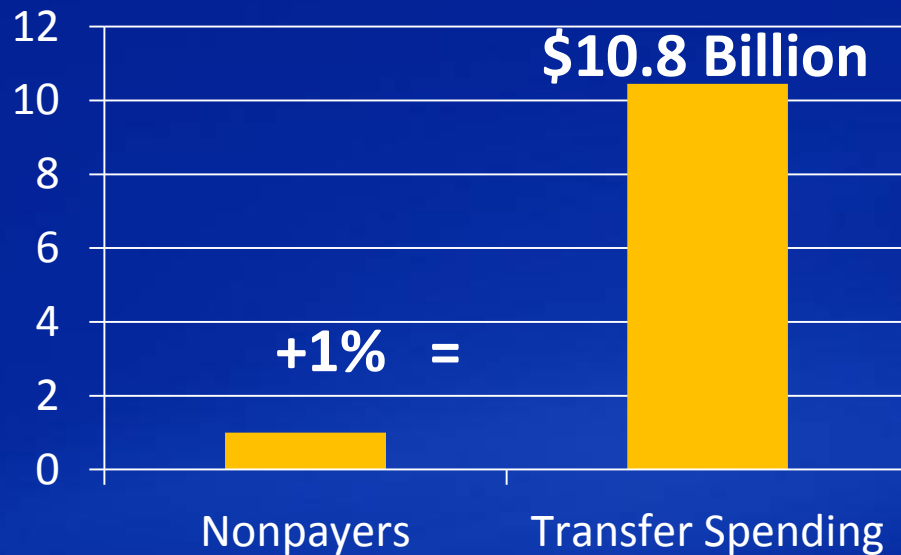




**Figure 3: Constant Dollar Transfer Payments Per Capita vs.  
Share of Nonpayers**



# The Cost of Nonpayers

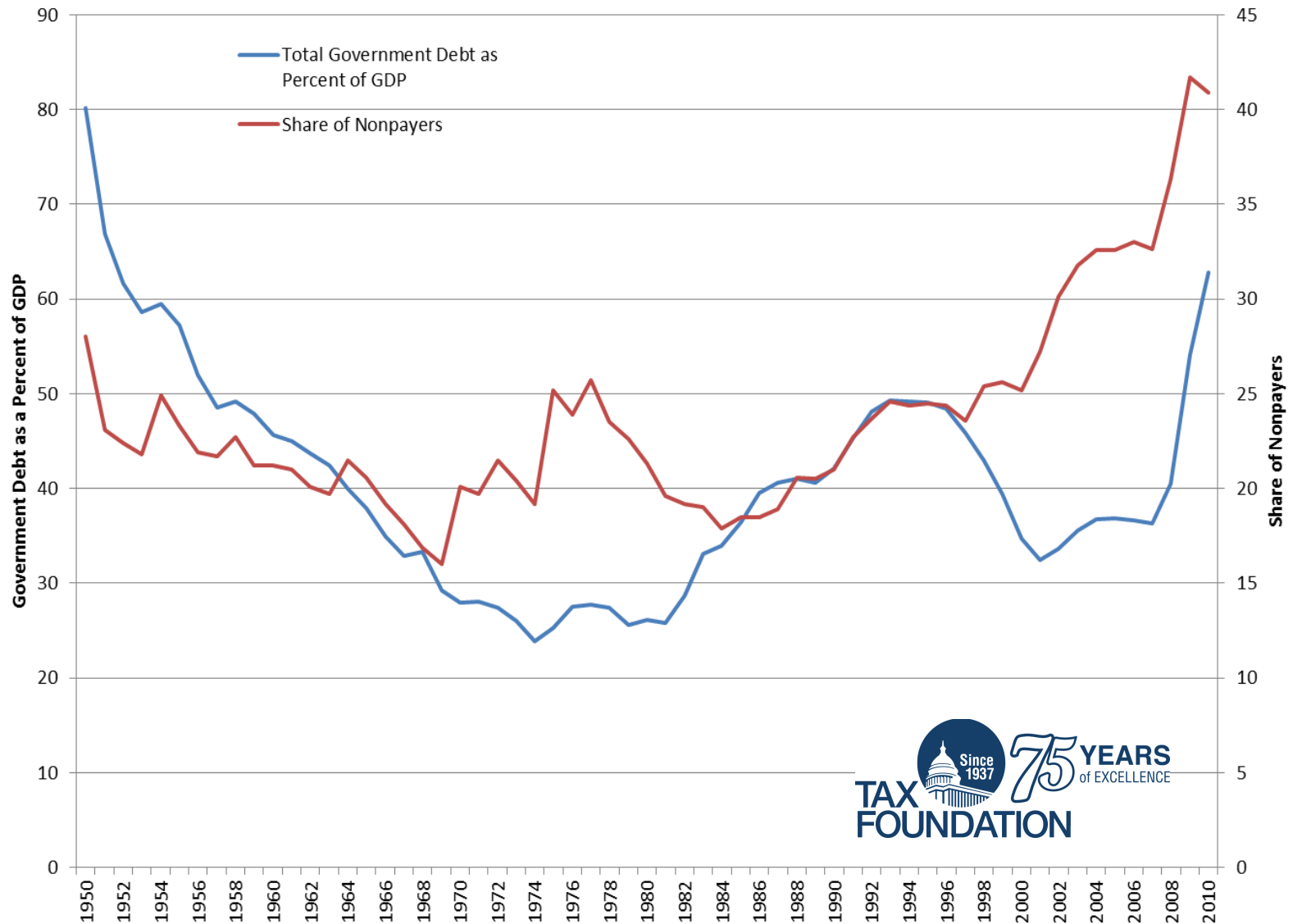


X 20% point Growth  
Since 1991



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?