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

Billions of Constant 2012 Dollars

"Upper-Middle" ($66,000 -- $112,000)

"Lower-Middle" ($33,000 -- $66,000)

Total AGI of the Top 1 Percent

Source: Tax Foundation/IRS
Millionaire Status is Fleeting

Percentage of Millionaires 1999--2007

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

- **Share of Adjusted Gross Income**
- **Share of Income Taxes Paid**

<table>
<thead>
<tr>
<th>Income Bracket</th>
<th>Share of Adjusted Gross Income</th>
<th>Share of Income Taxes Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $15,000</td>
<td>2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>$15,000 to $30,000</td>
<td>8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>$30,000 to $50,000</td>
<td>12%</td>
<td>5%</td>
</tr>
<tr>
<td>$50,000 to $100,000</td>
<td>27%</td>
<td>18%</td>
</tr>
<tr>
<td>$100,000 to $250,000</td>
<td>27%</td>
<td>30%</td>
</tr>
<tr>
<td>$250,000 or more</td>
<td>46%</td>
<td>23%</td>
</tr>
</tbody>
</table>

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

Percentage Share of Total Income Taxes

Source: IRS
Top 20% of Taxpayers Now Pays 94% of All Income Taxes

Income Tax Share of the Top 20%
(Incomes over $104,000 for Married Couple)

Income Tax Shares of the Bottom 80%
(Incomes below $104,000 for a Married Couple)

Negative Share Means a Tax Subsidy

Source: CBO
Does Buffett Really Pay Less Than His Secretary?


- **Top 0.1%**
- **Top 1%**
- **Middle 20%**

Note: Average Federal (income plus Federal Insurance Contributions Act) tax rates for a sample of 2005 taxpayers after adjusting for growth in the National Average Wage Index.

Source: White House
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

Percentage of Joint Returns by Income Group in 2010

- $1 to $25,000: 14%
- $25,000 to $50,000: 31%
- $50,000 to $75,000: 54%
- $75,000 to $100,000: 73%
- $100,000 to $200,000: 83%
- $200,000 to $500,000: 86%
- $500,000 to $1 million: 86%
- $1 million or more: 83%

Source: IRS/Tax Foundation
America Has Become a Nation of Dual-Income Working Couples

Percent of Working Married Couples

- Both Spouses Working: 67%
- Husband Only Working: 21%

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

Source: Census

Money Income 2010

45 to 64 years

25 to 44 years

65 years and over
America's Taxpayers are Much Older Than They Were in the 1990s

Share of All Taxfilers

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1997</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 18</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>18 to 26</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>26 to 35</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>35 to 45</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>45 to 55</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>55 to 65</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>65 and over</td>
<td>12%</td>
<td>14%</td>
</tr>
</tbody>
</table>

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

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

- 1997 tax share
- 2009 tax share

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1997 Tax Share</th>
<th>2009 Tax Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 18</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>18 under 26</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>26 under 35</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>35 under 45</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>45 under 55</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
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<td>17%</td>
<td>25%</td>
</tr>
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<td>14%</td>
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</table>
Median Incomes Vary Greatly by Educational Attainment

- No HS Diploma: $24,787
- High School Graduate: $38,976
- Median Income: $50,813
- Bachelor's Degree: $75,568
- Professional Degree: $119,825

Source: Census
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
Tax Credits Have Grown Considerably In Recent Years

Billions of 2012 Dollars

Source: IRS/Tax Foundation
Figure 3: Constant Dollar Transfer Payments Per Capita vs. Share of Nonpayers
The Cost of Nonpayers

+1% = $10.8 Billion

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

- Blue line: Total Government Debt as Percent of GDP
- Red line: Share of Nonpayers

Year: 1950 to 2010

Legend:
- Since 1937
- 75 Years of Excellence

Graph shows trends over time with Government Debt as a Percent of GDP and Share of Nonpayers.
Nonpayers are Associated with Higher Debt

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