

Who Pays Federal Taxes?

Figures for

The Urban-Brookings Tax Policy Center's
7th Annual Tax Day Forum

Who Pays and Who Should Pay Federal Taxes?

The Urban Institute

April 9, 2009

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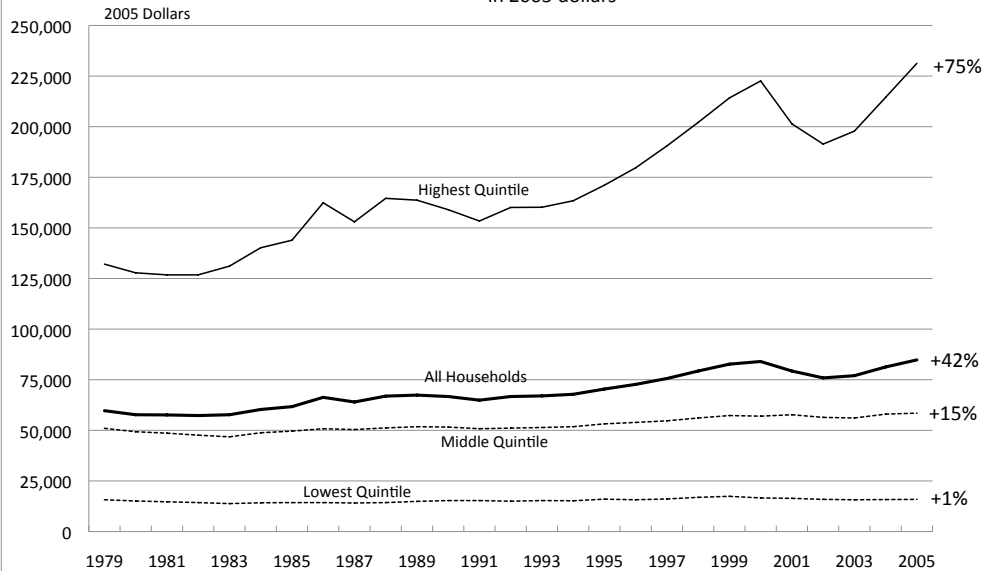
Senior Fellow

Tax Policy Center

Notes:

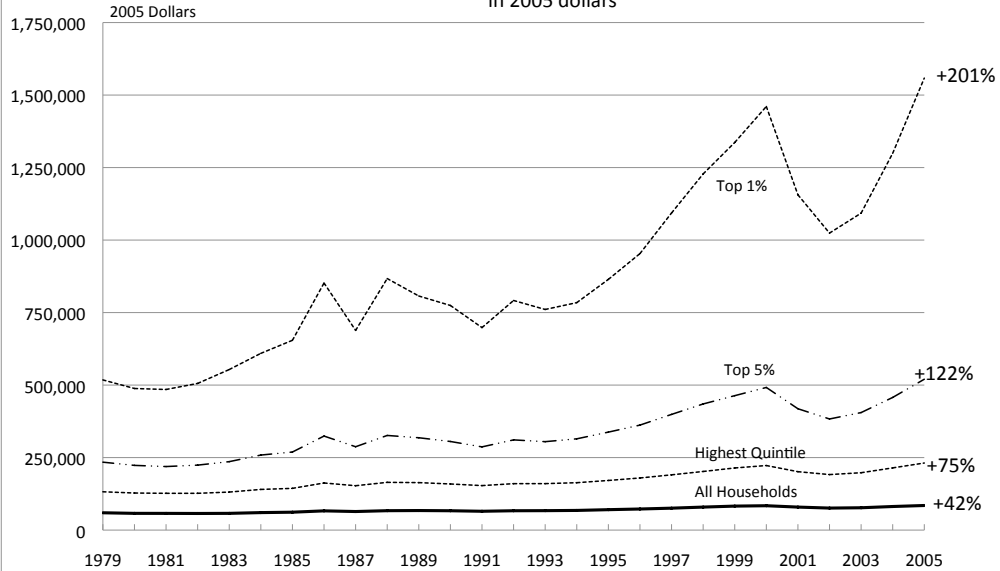
1. Congressional Budget Office effective tax rates (figures 1-8) include four federal taxes: individual and corporate income taxes, payroll taxes, and excise taxes. Units are households—groups of related people living together. Data come from the Internal Revenue Service's Statistics of Income (SOI) and the Current Population Survey (CPS) and include the entire non-institutional population.
2. Tax Policy Center estimates (figures 9 and 11-13) include a different set of four federal taxes: individual and corporate income taxes, payroll taxes, and estate taxes. They derive from TPC's microsimulation model, which, like CBO's model, relies on data from the SOI and the CPS. The model focuses on tax units—individuals or couples who file tax returns or would have to file returns if their income were high enough—but excludes dependent tax units.
3. Internal Revenue Service data (figure 10) come from tax returns and thus include only tax filers.

Figure 1. Average Pretax Household Income by Income Percentile, 1979-2005
in 2005 dollars



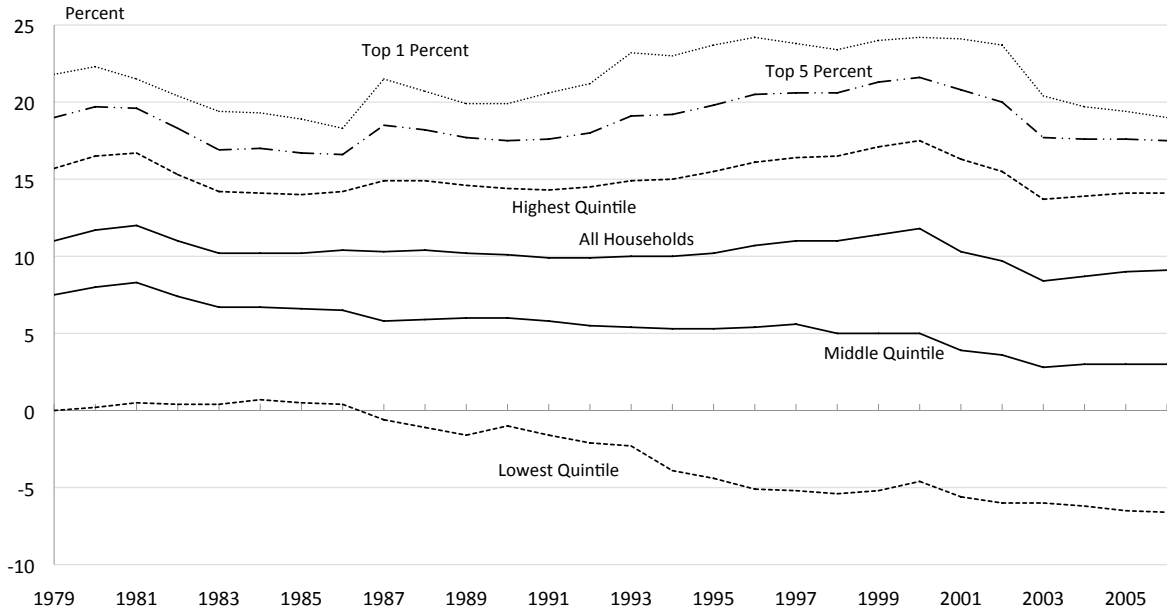
Source: Congressional Budget Office, *Historical Effective Federal Tax Rates: 1979-2005*, December 2007, Appendix Table 1C (at <http://www.cbo.gov/doc.cfm?index=8885&type=1>)

Figure 2. Average Pretax Household Income by Income Percentile, 1979-2005
in 2005 dollars



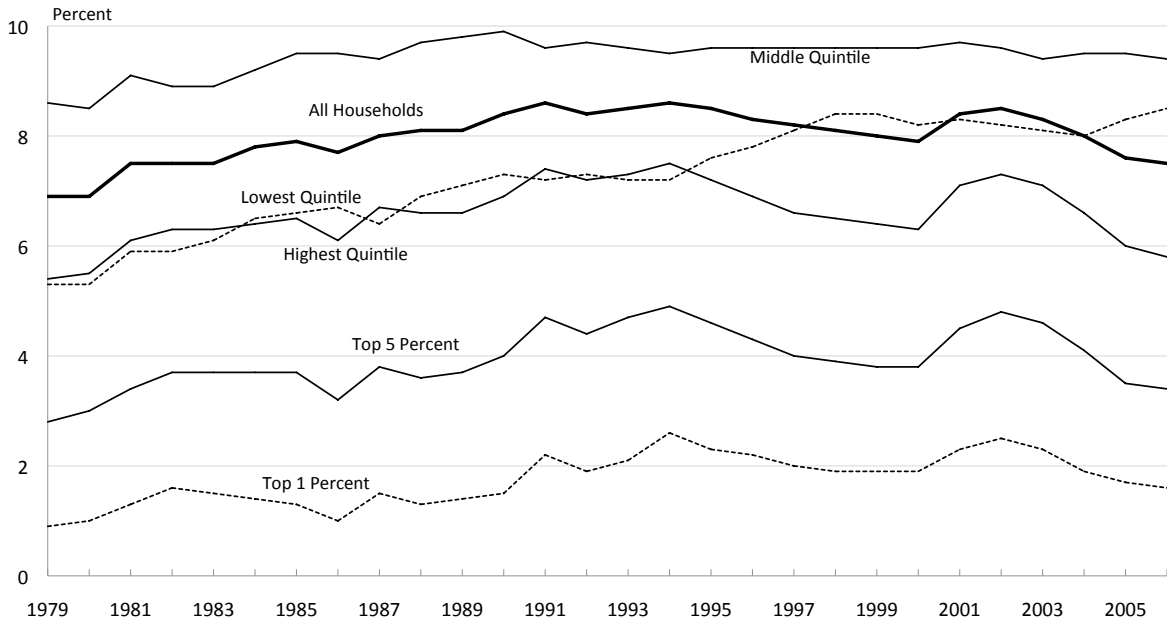
Source: Congressional Budget Office, *Historical Effective Federal Tax Rates: 1979-2005*, December 2007, Appendix Table 1C (at <http://www.cbo.gov/doc.cfm?index=8885&type=1>)

Figure 3. Effective Federal Individual Income Tax Rates by Income Percentile, 1979-2006



Source: Congressional Budget Office, *Historical Effective Federal Tax Rates: 1979-2005*, December 2007, Appendix Table 1A (at <http://www.cbo.gov/doc.cfm?index=8885&type=1>)

Figure 4. Effective Federal Payroll Tax Rates by Income Percentile, 1979-2006



Source: Congressional Budget Office, *Historical Effective Federal Tax Rates: 1979-2005*, December 2007, Appendix Table 1A (at <http://www.cbo.gov/doc.cfm?index=8885&type=1>)

Figure 5. Effective Federal Tax Rates by Income Percentile, 1979-2006

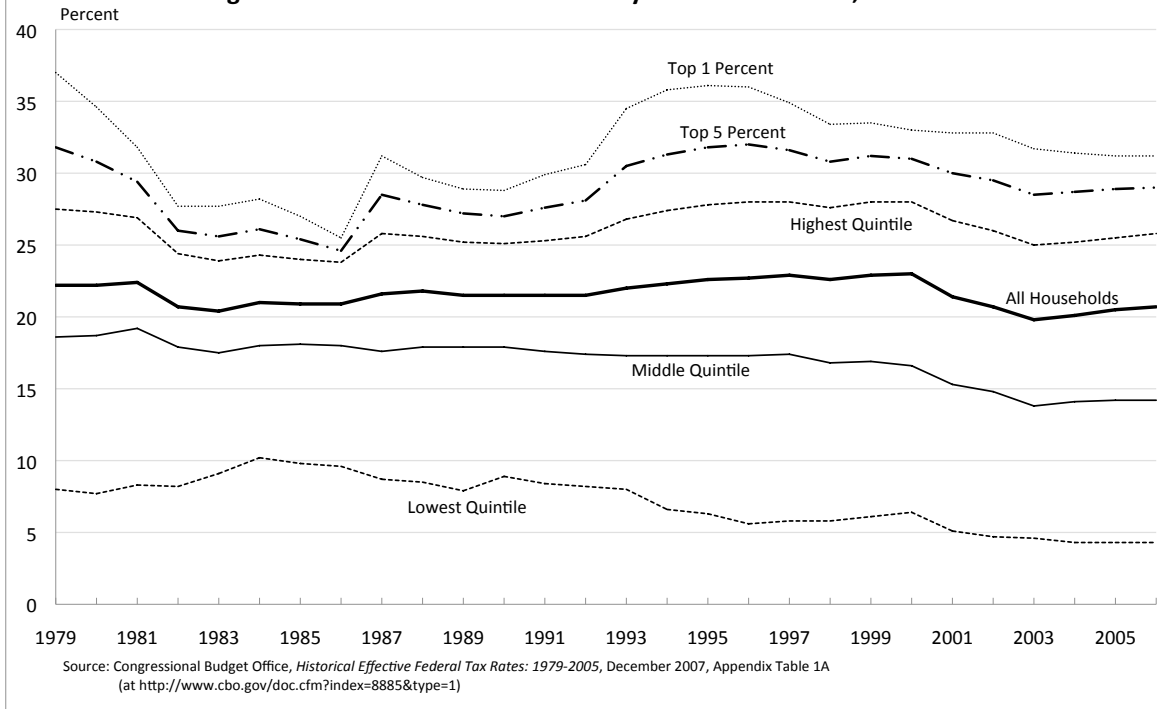


Figure 6. Effective Federal Corporate Income Tax Rates by Income Percentile, 1979-2006

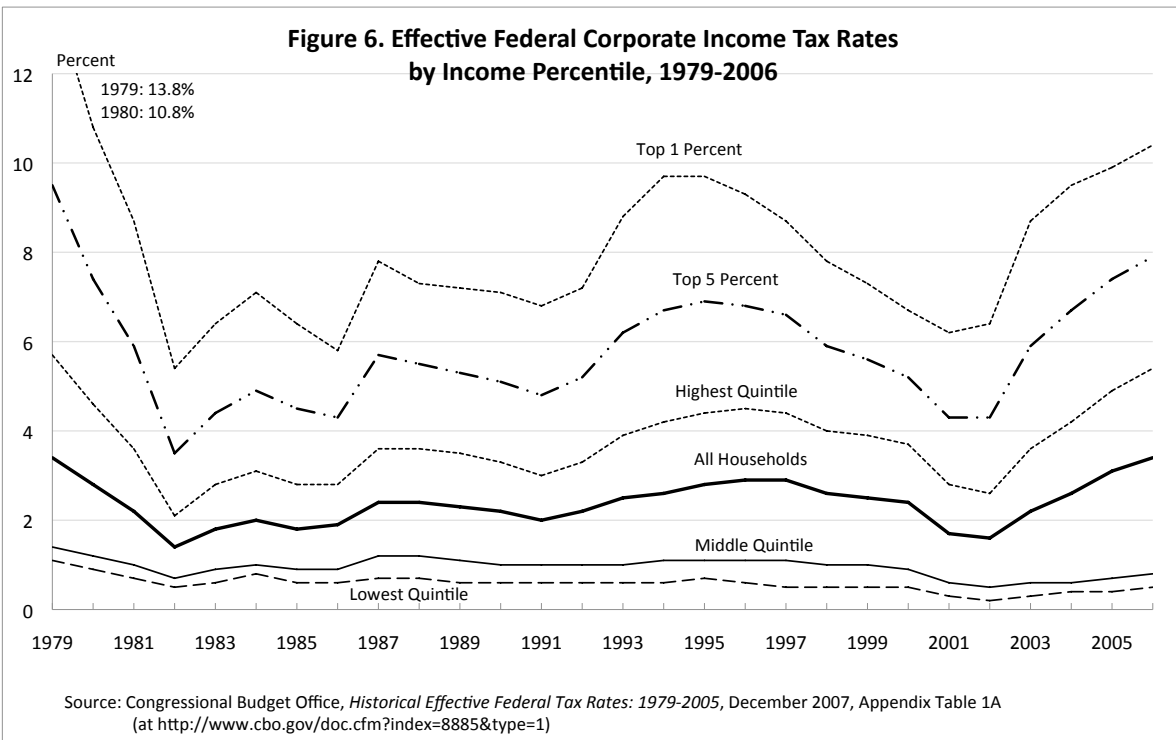
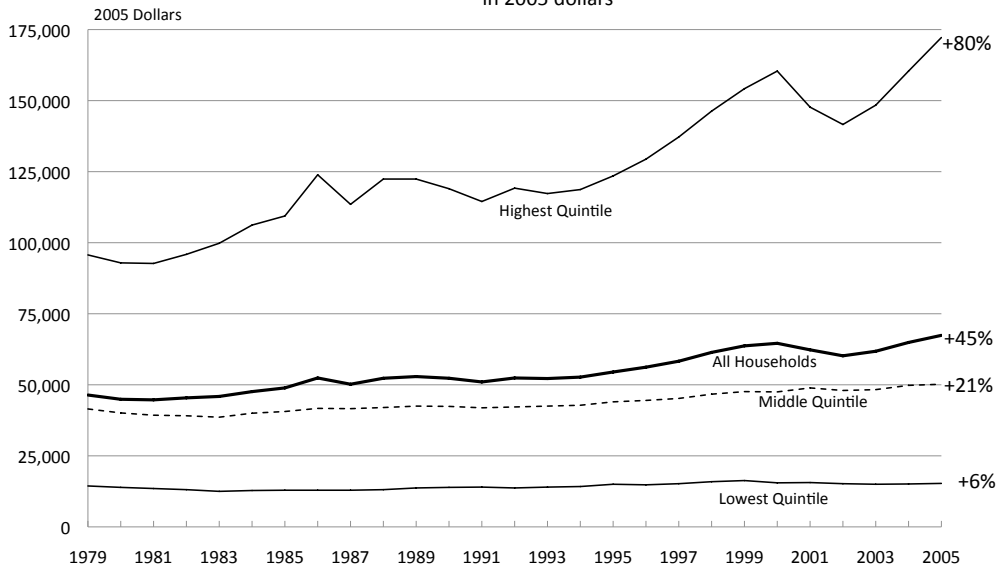
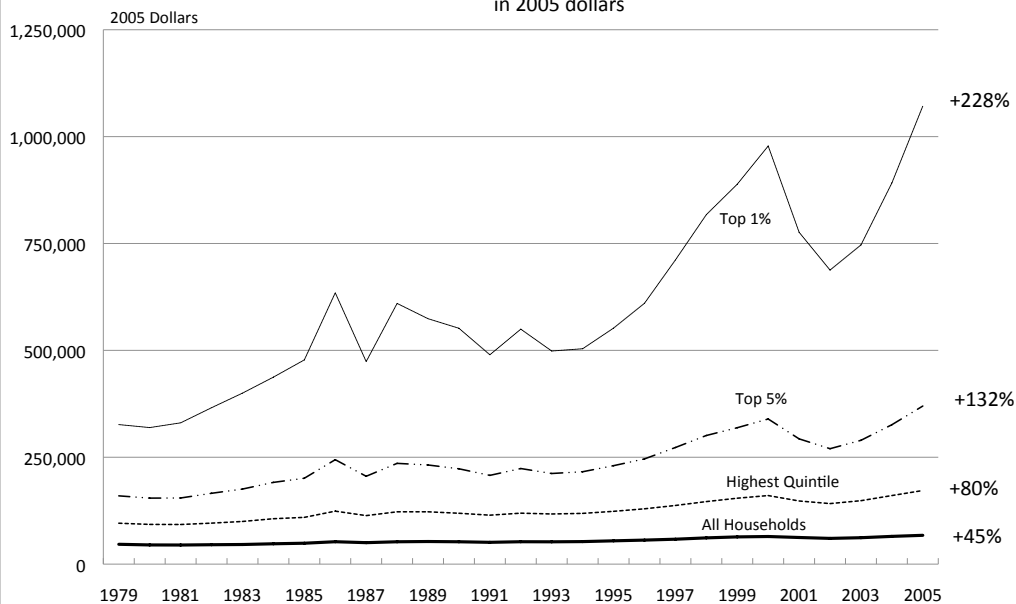


Figure 7. Average After-Tax Household Income by Income Percentile, 1979-2005
in 2005 dollars



Source: Congressional Budget Office, *Historical Effective Federal Tax Rates: 1979-2005*, December 2007, Appendix Table 1C (at <http://www.cbo.gov/doc.cfm?index=8885&type=1>)

Figure 8. Average After-Tax Household Income by Income Percentile, 1979-2005
in 2005 dollars



Source: Congressional Budget Office, *Historical Effective Federal Tax Rates: 1979-2005*, December 2007, Appendix Table 1C (at <http://www.cbo.gov/doc.cfm?index=8885&type=1>)

Figure 9. Average Federal Tax Rates by Income Quintile, 2004-2012

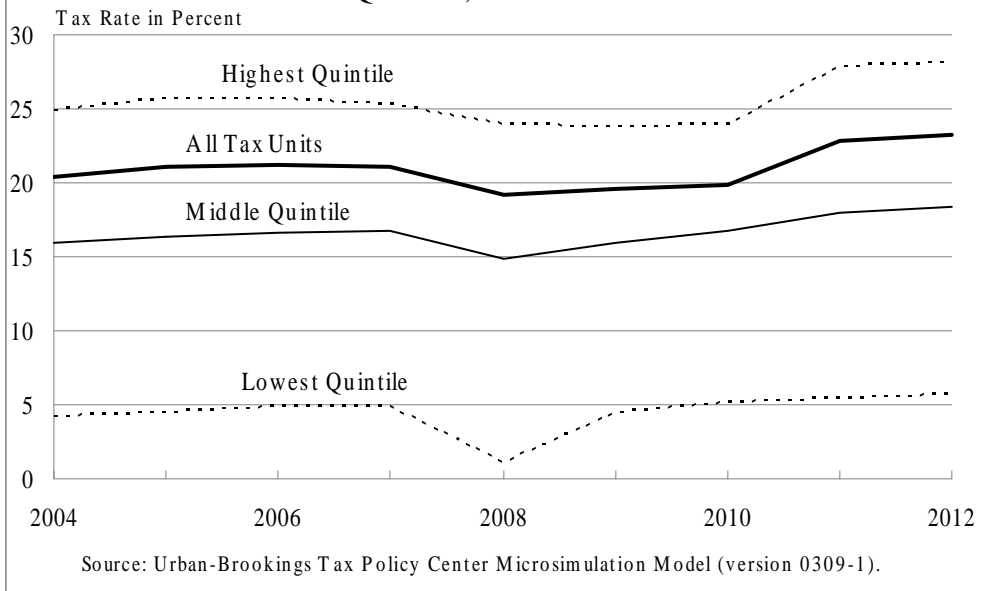
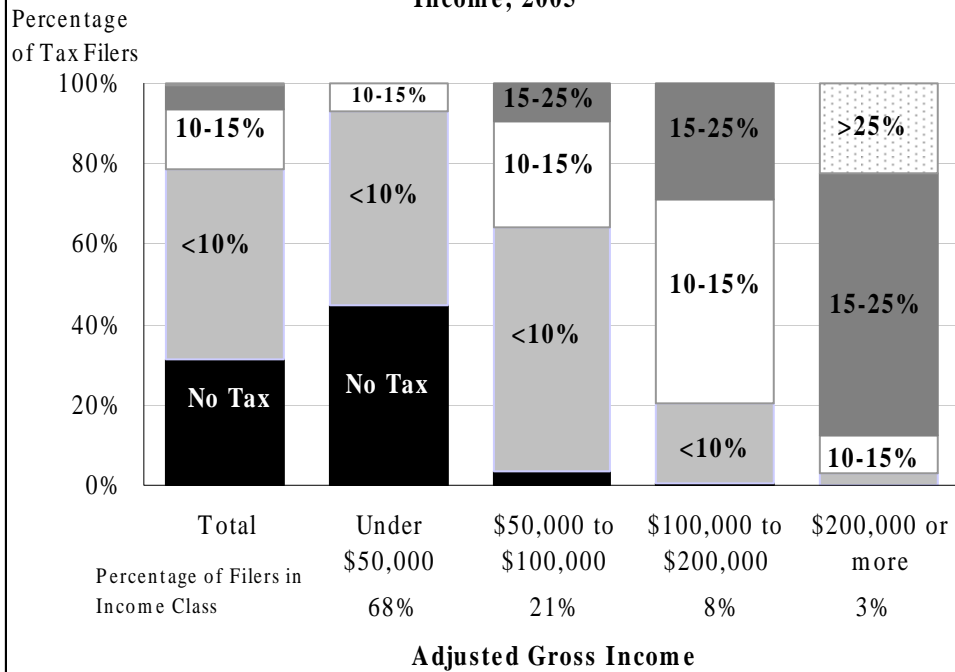


Figure 10. Tax Filers by Effective Tax Rate and Adjusted Gross Income, 2005

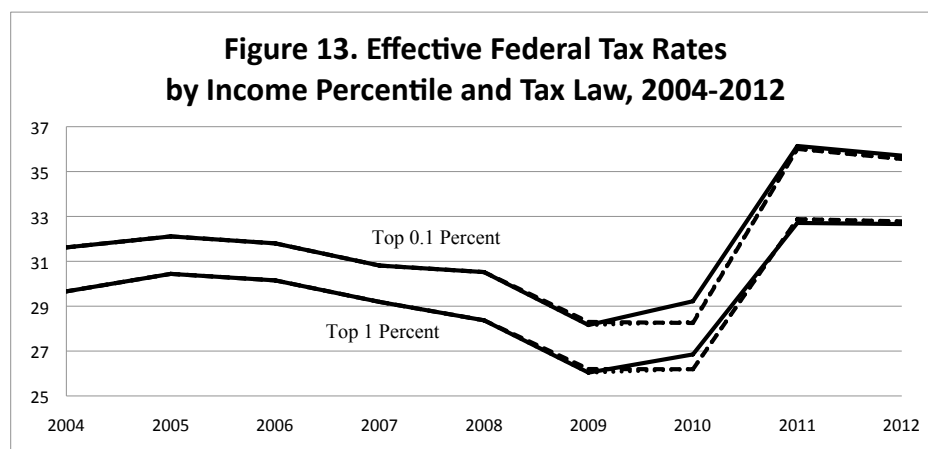
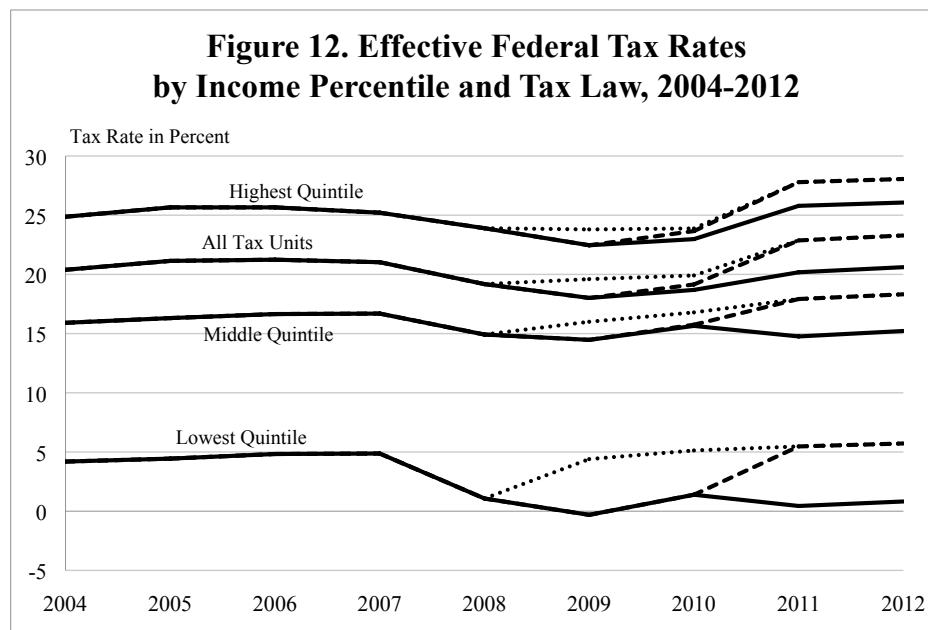
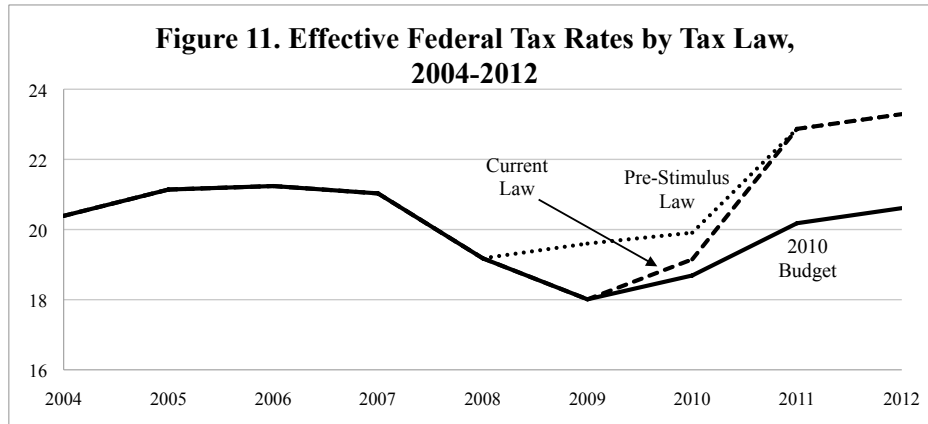


Source: IRS Statistics of Income at <http://www.irs.gov/pub/irs-soi/05in11hi.xls>

"Pre-Stimulus Law" assumes the tax code before enactment of the 2009 American Recovery and Reinvestment Tax Act (ARRA).

"Current Law" incorporates ARRA, which affects taxes only in 2009 and 2010.

"2010 Budget" adds the individual income tax proposals in President Obama's 2010 budget.



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0309-1).