Some Background

How should distributional tables be interpreted?

> Q. How should distributional tables be interpreted?

> A. Distributional tables provide important and useful information, but keep six key questions in mind to correctly interpret the results.

1. What taxes or tax changes does the analysis include? If the table covers taxes under current law, note which taxes are included and which aren't. If the table shows the distributional impact of a tax change, particularly an extensive reform proposal, be sure to note which provisions are included or omitted.

2. What is the baseline for a tax change? Ordinarily, the baseline is current law, but not always. With the current temporary provisions of the 2017 Tax Cuts and Jobs Act, economists are uncertain about what "current law" will look like in the future. As a result, some distribution tables use a "current policy" baseline, which assumes that Congress will extend certain tax provisions that are scheduled to expire (or sunset) under current law.

3. What is the income measure? Income is used in distributional tables to rank households by their "ability to pay"; it is also used to measure tax burdens, such as taxes as a percentage of income by income group. Definitions and measurements of income can significantly affect distributional results, so be sure to note which income measure the table uses. Also, income used to rank households may be adjusted for family size to better compare ability to pay across households.

4. What are the household units? Note whether the table includes households that do not file income tax returns. Some distributional tables that rank by quintiles of income typically place a fifth of all taxpaying households in each quintile. But some tables—including those produced by the Urban-Brookings Tax Policy Center—place a fifth of the *population* in each quintile, altering the count of household units in each quintile.

5. What period is covered? Standard distribution tables cover a single year. But some policy changes may have effects over multiple years, and some may be phased in or phased out over multiple years, or be only temporary. Note how the table represents any phase-ins, phaseouts, and temporary provisions.

6. What measures of tax burdens are included? Distribution tables typically show alternative measures of "tax burdens." However, only the percentage change in after-tax income directly measures the effect of a tax proposal on households' well-being and therefore is a reliable measure of progressivity.

Updated May 2020

Further Reading

Burman, Leonard E. 2007. "Fairness in Tax Policy." Testimony before the Subcommittee on Financial Services and General Government, House Appropriations Committee, Washington, DC, March 5.

Some Background

How should distributional tables be interpreted?

Congressional Budget Office. 2018. "The Distribution of Household Income, 2014." Washington, DC: Congressional Budget Office.

———. 2019. "The Distribution of Household Income, 2016." Washington, DC: Congressional Budget Office.

Cronin, Julie-Anne. 1999. "US Treasury Distributional Analysis Methodology." OTA paper 85. Washington, DC: US Department of the Treasury.

Joint Committee on Taxation. 2015. "Fairness and Tax Policy." JCX-48-15. Washington, DC: Joint Committee on Taxation.