

Table 1C

Average After-Tax Income for All Households, by Household Income Category, 1979-2005

Year	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	All Quintiles	Top 10%	Top 5%	Top 1%
Average Income (2005 dollars) <i>After-Tax Income</i>									
1979	14,400	29,100	41,500	54,300	95,700	46,400	121,200	159,700	326,400
1980	13,900	28,000	40,100	52,500	92,900	44,900	118,100	154,400	319,400
1981	13,500	27,500	39,300	52,300	92,700	44,700	118,000	154,700	330,500
1982	13,100	27,100	39,100	52,700	95,900	45,400	123,900	165,700	365,900
1983	12,500	26,200	38,600	52,700	99,800	45,900	130,600	175,600	400,000
1984	12,800	27,400	40,000	54,700	106,200	47,600	140,600	191,200	437,400
1985	12,900	27,400	40,600	55,200	109,400	48,900	146,200	200,900	477,700
1986	12,900	28,100	41,700	57,200	123,900	52,400	170,200	244,300	634,700
1987	12,900	27,300	41,600	57,600	113,500	50,200	150,700	205,500	473,800
1988	13,100	27,800	42,000	57,900	122,400	52,300	166,700	235,700	609,800
1989	13,700	28,400	42,500	58,700	122,400	52,900	166,000	231,900	574,100
1990	13,900	28,900	42,400	57,800	119,000	52,300	160,300	223,000	551,700
1991	14,000	28,600	41,900	57,300	114,500	51,000	152,200	207,600	489,700
1992	13,700	28,600	42,200	58,100	119,200	52,400	160,400	223,600	549,600
1993	14,000	28,800	42,500	58,500	117,300	52,200	155,500	212,000	498,500
1994	14,200	29,200	42,800	59,400	118,700	52,700	158,000	216,100	503,800
1995	15,000	30,500	44,000	60,300	123,500	54,500	165,000	230,300	552,100
1996	14,800	30,400	44,500	61,400	129,400	56,200	175,800	246,100	610,200
1997	15,200	30,900	45,200	62,400	137,200	58,300	189,800	272,800	711,500
1998	15,900	32,600	46,700	65,000	146,300	61,400	205,300	300,900	817,500
1999	16,300	33,300	47,600	66,500	154,200	63,700	217,400	319,100	888,700
2000	15,500	32,800	47,500	67,100	160,400	64,600	228,400	339,500	978,000
2001	15,600	33,600	48,900	67,500	147,700	62,300	204,200	293,000	776,300
2002	15,200	32,800	48,000	66,500	141,600	60,200	192,600	270,000	687,800
2003	15,000	32,900	48,300	67,800	148,400	61,800	203,800	289,600	746,600
2004	15,100	33,500	49,800	69,900	160,400	64,900	224,400	326,100	891,600
2005	15,300	33,700	50,200	70,300	172,200	67,400	246,300	369,800	1,071,500

Source: Congressional Budget Office.

Notes: Effective tax rates are calculated by dividing taxes by comprehensive household income.

Comprehensive household income equals pretax cash income plus income from other sources. Pretax cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits plus taxes paid by businesses (corporate income taxes and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes) and employee contributions to 401(k) retirement plans. Other sources of income include all in-kind benefits (Medicare, Medicaid, employer-paid health insurance premiums, food stamps, school lunches and breakfasts, housing assistance, and energy assistance). Households with negative income are excluded from the lowest income category but are included in totals.

Income categories are defined by ranking all people by their comprehensive household income adjusted for household size—that is, divided by the square root of the household's size. (A household consists of the people who share a housing unit, regardless of their relationships.) Quintiles, or fifths, contain equal numbers of people.

Individual income taxes are distributed directly to households paying those taxes. Social insurance, or payroll, taxes are distributed to households paying those taxes directly or paying them indirectly through their employers. Corporate income taxes are distributed to households according to their share of capital income. Federal excise taxes are distributed to them according to their consumption of the taxed good or service.

The minimum adjusted income is the lower income boundary for each quintile. Because incomes are adjusted by dividing income by the square root of household size, an adjusted income range implies different unadjusted income for different size households. To compute the unadjusted income range for a particular size household, the adjusted income must be multiplied by the square root of the household size: 1.414 for a two-person household, 1.732 for a three-person household; 2.0 for a four-person household, 2.236 for a five-person household. For example, in 2005, the highest quintile had adjusted income above \$67,400. A two-person household would need income above \$95,300 to fall in that quintile, while a four-person household would need income in excess of \$134,800.