

Table 1C

Average Pre-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>Pretax Income</i>									
1979	15,700	34,000	51,000	69,000	132,100	59,700	172,200	234,200	517,800
1980	15,100	32,600	49,300	66,900	127,800	57,700	166,400	223,100	488,200
1981	14,700	32,300	48,600	67,200	126,800	57,600	164,300	219,100	484,800
1982	14,300	31,500	47,600	66,400	126,800	57,300	165,800	224,000	505,700
1983	13,800	30,300	46,800	66,000	131,100	57,700	173,600	236,000	553,600
1984	14,200	32,100	48,800	68,700	140,200	60,300	188,000	258,700	609,400
1985	14,300	32,200	49,600	69,400	143,900	61,700	194,300	269,200	654,400
1986	14,300	33,000	50,800	72,000	162,400	66,300	224,700	324,200	851,900
1987	14,100	31,800	50,400	72,100	153,000	64,000	207,100	287,400	688,600
1988	14,300	32,400	51,200	72,900	164,600	66,900	227,500	326,300	867,300
1989	14,900	33,000	51,800	73,800	163,700	67,400	225,100	318,400	807,100
1990	15,300	33,800	51,600	72,900	159,000	66,700	217,000	305,500	774,500
1991	15,300	33,300	50,800	72,100	153,400	64,900	207,200	286,900	698,200
1992	15,000	33,100	51,100	72,800	160,100	66,700	219,400	311,000	791,700
1993	15,300	33,300	51,400	73,400	160,200	67,000	217,800	304,900	760,700
1994	15,200	33,600	51,800	74,600	163,400	67,800	223,700	314,700	784,300
1995	16,000	35,200	53,200	75,800	171,100	70,400	235,200	337,800	864,400
1996	15,700	35,000	53,900	77,100	179,700	72,700	251,400	362,000	953,400
1997	16,100	35,800	54,700	78,500	190,500	75,600	270,700	398,900	1,093,400
1998	16,900	37,400	56,100	81,600	202,100	79,300	290,400	434,900	1,228,000
1999	17,400	38,400	57,300	83,700	214,200	82,700	309,200	463,500	1,336,600
2000	16,600	37,700	57,000	84,500	222,600	84,000	324,300	491,800	1,460,600
2001	16,400	38,000	57,700	83,200	201,400	79,300	285,400	418,400	1,156,000
2002	15,900	36,800	56,400	81,300	191,400	75,900	267,100	383,100	1,024,100
2003	15,700	36,400	56,100	82,000	197,800	77,000	278,600	405,200	1,092,800
2004	15,800	37,200	58,000	84,500	214,500	81,300	307,800	457,400	1,299,300
2005	15,900	37,400	58,500	85,200	231,300	84,800	339,100	520,200	1,558,500

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.