

Table 1C

## Pre-Tax Income Shares 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%
<b>Share of Income (Percent)</b> <i>Pretax Income</i>									
1979	5.8	11.1	15.8	22.0	45.5	100.0	30.5	20.7	9.3
1980	5.7	11.0	15.7	22.1	45.8	100.0	30.6	20.7	9.1
1981	5.5	10.9	15.9	22.2	46.0	100.0	30.7	20.7	9.1
1982	5.2	10.6	15.7	22.2	46.7	100.0	31.1	21.1	9.6
1983	4.9	10.3	15.5	22.2	47.7	100.0	32.2	22.2	10.3
1984	5.0	10.3	15.4	22.0	48.0	100.0	32.6	22.6	10.9
1985	4.8	10.1	15.2	21.9	48.6	100.0	33.4	23.4	11.5
1986	4.5	9.6	14.7	21.2	50.6	100.0	35.8	26.0	14.0
1987	4.4	10.0	15.3	22.1	48.9	100.0	33.5	23.4	11.2
1988	4.3	9.7	14.9	21.6	50.3	100.0	35.3	25.4	13.3
1989	4.3	9.8	15.1	21.6	49.9	100.0	34.8	24.8	12.5
1990	4.6	10.0	15.1	21.6	49.5	100.0	34.4	24.3	12.1
1991	4.7	10.0	15.4	21.8	49.0	100.0	33.7	23.6	11.2
1992	4.4	9.7	15.1	21.5	50.0	100.0	34.9	24.7	12.3
1993	4.5	9.8	15.0	21.6	49.8	100.0	34.6	24.4	11.9
1994	4.4	9.8	15.2	21.6	49.8	100.0	34.6	24.5	12.1
1995	4.6	9.7	14.9	21.3	50.2	100.0	35.2	25.1	12.5
1996	4.3	9.4	14.5	21.0	51.5	100.0	36.5	26.5	13.8
1997	4.3	9.1	14.2	20.4	52.6	100.0	37.8	27.8	14.9
1998	4.3	9.0	14.1	20.2	53.0	100.0	38.4	28.5	15.7
1999	4.2	8.9	13.8	19.9	53.8	100.0	39.4	29.6	16.7
2000	4.0	8.6	13.5	19.6	54.8	100.0	40.6	30.7	17.8
2001	4.3	9.2	14.2	20.8	52.3	100.0	37.5	27.4	14.7
2002	4.3	9.3	14.5	21.2	51.5	100.0	36.5	26.3	13.5
2003	4.2	9.1	14.3	21.0	52.1	100.0	37.2	27.0	14.3
2004	4.1	8.9	13.9	20.4	53.5	100.0	38.9	29.0	16.3
2005	4.0	8.5	13.3	19.8	55.1	100.0	40.9	31.1	18.1

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.