

Table 1C

Income Category Minimums 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%
Minimum Adjusted Income (2005 dollars)									
1979	0	16,400	26,000	35,600	49,700	NA	63,600	80,600	157,700
1980	0	15,700	25,100	34,600	48,500	NA	62,700	78,800	152,900
1981	0	15,500	24,900	34,800	48,900	NA	62,800	79,500	150,600
1982	0	15,100	24,300	34,300	48,900	NA	63,100	79,000	151,200
1983	0	14,400	24,100	34,300	49,200	NA	63,800	80,800	157,700
1984	0	15,300	25,100	35,900	51,300	NA	67,200	85,200	168,400
1985	0	15,400	25,500	36,400	52,000	NA	68,300	87,300	175,000
1986	0	15,500	26,200	37,600	54,300	NA	71,500	92,700	203,300
1987	0	15,000	26,100	37,900	55,000	NA	72,500	92,600	190,800
1988	0	15,400	26,700	38,600	56,000	NA	74,200	95,300	205,200
1989	0	15,700	27,100	39,000	56,800	NA	75,300	97,600	208,000
1990	0	16,100	27,100	38,800	56,000	NA	74,000	96,000	198,400
1991	0	16,100	26,600	38,400	55,200	NA	72,900	94,400	194,600
1992	0	15,700	26,700	38,700	55,900	NA	74,200	97,300	205,800
1993	0	15,900	26,800	38,700	56,300	NA	74,700	97,000	202,500
1994	0	16,100	27,200	39,600	57,200	NA	75,800	99,100	208,600
1995	0	16,900	28,100	40,300	58,700	NA	78,500	103,200	221,900
1996	0	16,600	28,400	40,900	59,900	NA	80,600	106,200	234,300
1997	0	17,000	28,800	41,500	61,300	NA	83,000	111,400	248,600
1998	0	17,800	29,900	43,000	63,600	NA	86,600	116,200	265,300
1999	0	18,300	30,500	43,900	65,500	NA	89,100	119,800	283,100
2000	0	17,900	30,300	44,100	66,200	NA	90,700	122,800	290,900
2001	0	18,100	30,500	44,300	65,600	NA	88,500	118,300	262,400
2002	0	17,700	29,700	43,400	64,100	NA	86,600	115,000	249,600
2003	0	17,400	29,500	43,300	65,000	NA	87,300	116,500	253,600
2004	0	17,700	30,200	44,600	66,500	NA	90,300	120,800	276,200
2005	0	17,900	30,500	45,200	67,400	NA	92,400	126,300	307,500

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.