

CONGRESS OF THE UNITED STATES
CONGRESSIONAL BUDGET OFFICE

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CBO

S T U D Y

**Historical
Effective
Tax Rates,
1979-1997**

Preliminary Edition

MAY 2001

Historical Effective Tax Rates, 1979-1997

Preliminary Edition

The Congress of the United States
Congressional Budget Office

NOTES

Numbers in the text and tables may not add up to totals because of rounding.

Unless otherwise indicated, all dollar values are in 1997 dollars and all years are calendar years.

NOTICE

The numbers in the appendix tables included in this edition are final. All other tables and all text and figures or graphics are preliminary and subject to revision.

This edition omits Appendixes A, B, C, D, E, F, I, and K.

In some places, this version of the study contains incorrect definitions of types of household. The correct definitions are:

- o Households with children are those with at least one member under age 18.
- o Elderly childless households are those headed by a person age 65 or older and with no member under age 18.
- o Nonelderly childless households are those headed by a person under age 65 and with no member under age 18.

Questions about this study may be directed to Robertson Williams, David Weiner, or Ed Harris of the Congressional Budget Office's Tax Analysis Division at (202) 226-2680. This preliminary edition is available at CBO's Web site: www.cbo.gov.

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Summary and Introduction

The past two decades have witnessed 15 major federal tax bills, the longest peacetime economic expansion in U.S. history, and major demographic and labor-market shifts. A backward look at the period also reveals substantial growth of real (inflation-adjusted) household income, distributed unevenly among income groups. That higher income, although accompanied by lower effective tax rates (total taxes as a percentage of total income) throughout the income distribution, led to record federal revenues that claimed the largest share of gross domestic product since World War II. Six major observations stand out in the analysis of taxes and incomes reported in this study:

- o Between 1979 and 1997, the effective federal tax rate fell for every quintile, or fifth, of the income distribution. Had 2001 tax law been in effect in 1997, the decline in effective rates would have been even greater (see Summary Figure 1 on page xviii).
- o Over the same period, however, the income of households with the highest income (which therefore face the highest tax rates) grew substantially faster than the income of other households. As a result, the effective federal tax rate for all households as a group increased by one-half of a percentage point, or from 22.3 percent to 22.8 percent.
- o Trends in effective tax rates varied widely among the major sources of federal revenues. Social insurance taxes (principally those financ-

ing Social Security and Medicare) claimed a larger share of income in 1997 than in 1979, and corporate income taxes took a smaller share. Individual income tax rates changed little overall, but they dropped for the 80 percent of households with the lowest income and rose for the 20 percent with the highest income (see Summary Figure 2).

- o Although revenues from individual income taxes are nearly 50 percent greater than revenues from social insurance (or payroll) taxes, households in the bottom 80 percent of the income distribution on average pay nearly twice as much in payroll tax as in income tax. In 1997, 9.6 percent of that group's income went to payroll taxes, compared with 5.2 percent going to income taxes (see Summary Figure 3).
- o Average real household income before taxes rose nearly 30 percent over the 1979-1997 period, but that growth was highly unequal among quintiles (see Summary Figure 4). The average income of households in the highest quintile was 50 percent higher in 1997 than in 1979, while that for the bottom fifth of households was nearly 4 percent lower. Because of substantial movement of households among quintiles, however, those changes do not indicate whether particular households became better or worse off over the period.
- o The rapid growth of income at the top of the distribution sharply increased the highest

quintile's shares of pretax and after-tax income as well as their federal tax liabilities (the taxes they owe). In 1997, the fifth of households with the highest income earned 53 percent of total pretax income and paid 64 percent of federal taxes, up from 46 percent and 57 percent, respectively, in 1979 (see Summary Figure 5). Again, however, households in the highest quintile in 1997 were not the same households in that quintile in 1979.

This study examines in detail the effective federal tax rates faced by households in different parts of the income distribution from 1979 through 1997. The analysis considers the four largest sources of federal revenues: individual income taxes, social insurance taxes, corporate income taxes, and excise taxes. It does not examine other federal taxes or state and local taxes. In particular, it omits estate and gift taxes, in part because of limitations in the data used in the study that make it hard to allocate taxes among households and in part because of uncertainty about whether decedents or heirs bear the burden of those taxes. The analysis uses specific assumptions about the incidence of each tax—who actually bears its cost, which may differ from who nominally pays the tax to the government. Alternative assumptions about incidence would generate different findings.

This analysis focuses on taxes paid in each year, comparing them with annual measures of household income. (A better measure of taxes and income might focus on the income received and the taxes paid over a person's lifetime, but those data are not available.) Annual measures of taxes paid and income may vary substantially over time, and information about a single year may differ markedly from average values for longer periods. Data limitations and conceptual issues make such an analysis difficult, especially when the aim is to construct a historical series like the one presented here.

The Congressional Budget Office's (CBO's) work on effective tax rates parallels similar analyses by the Office of Tax Analysis at the U.S. Department of the Treasury and by the Joint Committee on Taxation. Although each office uses its own assumptions about the components of income, the incidence of various federal taxes, and the appropriate unit of analysis, the results of the different analyses are

roughly comparable (see Appendix C [not provided in this version of the study]). Differences among the three methods can reveal information about federal taxes that cannot be seen in any single study.

Trends in Effective Federal Tax Rates

Rising real incomes have driven federal tax revenues upward since 1979. Over the same period, changes in tax laws first lowered and then raised effective tax rates. For households as a group, federal taxes claimed 22.3 percent of income in 1979; that rate fell to 20.2 percent in 1983 and then drifted upward to nearly 23 percent in 1997 (see the far right bars in Summary Figure 6). If 2001 tax law had applied in 1997, the effective tax rate in that year would have matched the rate in 1979.

The total effective federal tax rate differs from taxes calculated as a share of gross domestic product (GDP) because household income and GDP are not the same. Each measure includes income from sources that are not counted by the other.

The small rise in the total effective tax rate, however, masks significant variation in effective rates for households at different points in the income distribution. As noted earlier, every quintile faced a lower average rate in 1997 than in 1979 (see Summary Figure 6). Households in the lowest quintile experienced the greatest percentage drop, mainly because the Congress expanded the earned income tax credit. Nonetheless, households in the top 1 percent of the distribution had the largest percentage-point fall in effective tax rates—a drop of 4 points, from 37 percent to 33 percent.

A range of factors affected tax rates over the past two decades. The Congress enacted six major tax bills and many smaller ones, changing both the rates of particular taxes and the bases subject to those rates. Income grew strongly but unevenly, with some income types growing faster than others and a greater share of total income going to households at the top of the income distribution than to those at the bottom. Demographic changes led to more childless house-

holds, many of them with elderly members. Because tax laws treat different kinds of households differently, those changes would have shifted effective tax rates even if laws and incomes had stayed the same.

Differences Among Sources of Revenue

Changes in effective tax rates varied among the four revenue sources examined in this study (see Summary Figure 7). Overall, effective rates for the individual income tax first declined and then rose, returning to the same level in 1997 as they were in 1979. Households with the lowest income saw their rate drop the most—by more than 4 percentage points. Other quintiles also faced lower rates at the end of the period, except for the top quintile, for which rapidly rising income led to a slightly higher effective income tax rate. In contrast, the effective rate for social insurance taxes rose throughout the period, from just under 7 percent in 1979 to just over 8 percent in 1997. That increase was similar for all quintiles, although it was slightly smaller for the highest-income households.

Although CBO's database on taxes and income ends in 1997, information from tax returns suggests that the recent rapid rise in the share of income going to the top of the distribution and in the share of individual income taxes those households pay has continued in 1998 and 1999. The data also show that the total effective rate for the individual income tax fell in 1998, as a result of the Taxpayer Relief Act of 1997, but resumed its upward trend in 1999.

Higher effective rates for social insurance taxes and lower effective rates for the individual income tax meant that payroll taxes exceeded income taxes for many more households in 1997 than in 1979, even though income tax revenues were much larger than payroll tax revenues in both years. In 1979, 56 percent of households with earnings paid more payroll tax than income tax. By 1997, that percentage had climbed to 79 percent. Because high-income households pay more than twice as much income tax as payroll tax, however, total income taxes exceeded payroll taxes—by about 60 percent in 1979 and by more than a third in 1997.

The effective corporate income tax rate dropped sharply after 1979 and then climbed gradually to a level in 1997 that was about half a percentage point below the 1979 rate. Because high-income households bear a disproportionately large share of the burden of corporate taxes, the decline over the whole period affected them more than it did other households. (CBO allocates corporate taxes and the employer's share of social insurance taxes to individuals using generally accepted assumptions about the incidence of taxes. For further discussion, see Chapter 2.) In contrast, the greatest impact from excise taxes fell on households in the lowest quintile. Although the total effective rate for federal excise taxes was virtually the same in 1997 as in 1979, it rose for low-income households and fell for those with higher incomes.

Shares of Income and Taxes

The distribution of income among households grew substantially more unequal during the 1979-1997 period. The share of pretax income going to the highest fifth of households climbed from 46 percent in 1979 to 53 percent in 1997, while the share going to the lowest three quintiles dropped from 32 percent to 27 percent. At the very top of the distribution, the highest 1 percent of households took home 16 percent of total pretax income in 1997, up from 9 percent in 1979. It is important to note, however, that substantial movement of households among quintiles occurred over the period, so households in a given quintile in 1997 were not the same households that had been in that quintile in 1979. (One study, for example, showed that nearly one-third of individuals moved into a higher quintile over a 10-year period while a similar number moved to a lower one; see Box 1-1 on page 3.) Furthermore, the increasing inequality shown in the declining share of income going to the lowest quintiles does not imply greater poverty. Average income can grow throughout the distribution even if relatively greater gains at the top lead to increased inequality.

That increasing inequality of income led to similar shifts in the distribution of tax liabilities. Households in the highest income quintile paid 65 percent

of the four largest federal taxes in 1997, up from 57 percent 18 years earlier. In contrast, households in the bottom three quintiles paid 7 percent of those taxes. The shares paid by the different quintiles varied widely among revenue sources. In 1997, households in the highest quintile bore 78 percent of individual income taxes, 82 percent of corporate income taxes, 44 percent of social insurance taxes, and 32 percent of federal excise taxes. In the same year, households in the lowest three quintiles paid 7 percent, 9 percent, 31 percent, and 47 percent of those taxes, respectively.

The Nature of the Analysis

The primary focus of this study is effective tax rates. The values of those rates vary, depending on the measure of income used to calculate them. (See the comparison of alternative measures of income in Chapter 3.) The primary results reported in Chapter 1 are based on adjusted comprehensive household income. That measure includes all cash income (both taxable and tax-exempt), taxes paid by businesses (which are imputed to individuals on the basis of assumptions about incidence), employee contributions to 401(k) retirement plans, and the value of income received in kind from various sources (including employer-paid health insurance premiums, Medicare, Medicaid, and food stamps, among others); it then adjusts for differences in household size. Because that income measure comprises income from more sources than are included in alternative measures, calculations using it yield lower estimates of effective tax rates. Effective tax rates based on other measures of income follow trends similar to those derived using adjusted comprehensive household income (see Chapter 3).

The choice of income measure also affects how households are ranked within the income distribution. Counting income from more sources moves households with income from those sources up the distribution relative to those not getting such income. Using households rather than families as the unit of analysis lifts people in multifamily households up the distribution ahead of some people in single-family households. And adjusting income to account for the greater needs of larger households drops those larger

households down the income distribution and consequently pushes smaller households up. The net effect of those differences can be determined only by comparing the resulting distributions (as Chapter 3 does).

CBO reports most of the results of its analysis for both the entire population and parts of the income distribution. Quintiles form the basic groups of interest. However, some tables also include information on households in the top 10 percent, top 5 percent, and top 1 percent of the distribution. That breakdown reveals the effects of the disproportionately rapid growth of income—and hence of tax liabilities—that has occurred over the past two decades at the distribution's top. The analysis does not show a comparable subdivision of the lowest quintile because effective tax rates and income moved in similar ways for households in different parts of that quintile.

Quintiles contain equal numbers of people. Because households vary in size, quintiles generally contain unequal numbers of households. Some statistics are further broken down by type of household: those with any members under age 18 (households with children), those headed by a person over age 64 and no member under age 18 (elderly childless households), and all others (nonelderly childless households). The income and size of households vary more widely across those three groups; that means that the distributions of specific types of households among quintiles are more unequal than the distribution of all households.

Cautionary Notes

Interpreting trends in tax rates and incomes based on the results reported in this study demands caution, for five reasons. First, the study compares income groups over time, showing how effective tax rates and income have changed for each quintile. The composition of each quintile changes, however, from year to year. Over time, people join and leave households, enter and leave the labor force, and experience other changes that can alter their position in the income distribution. Trends in tax rates and income that are discussed in this study reflect what has happened to people in the same parts of the distribution over time, not what has happened to the same people.

Second, the expansion of the income measure to include taxes paid by businesses, employee contributions to 401(k) plans, and in-kind benefits makes that measure larger than what many people think of when considering their own income. As a result, it may be difficult for readers to determine their own placement within the reported distributions. Third, adjusting income for the size of households in order to rank them substantially reorders those units throughout the income distribution. Consequently, total household income can vary markedly among households of differing size, even though they are closely ranked in the distribution. Statistics based on household cash income that is unadjusted for household size and omits in-kind income may provide information that is more consistent with how most people think about their own tax and income situations (see the last section of Chapter 1 and Appendix H).

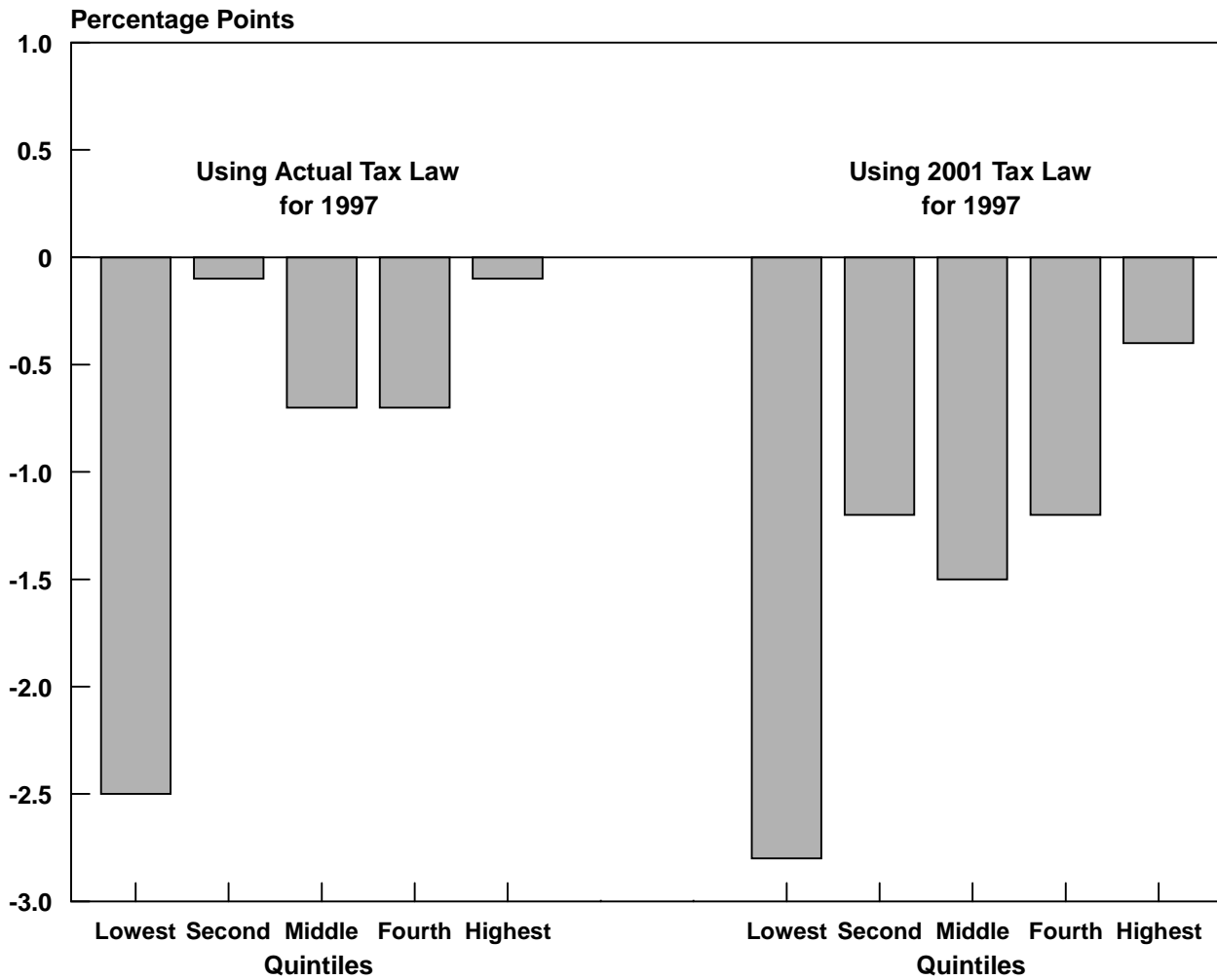
A fourth issue involves drawing conclusions based on overall statistics that mask or even misrepresent information about subgroups or specific taxes. For example, the total effective federal tax rate can rise between two years, even if effective rates for households in every income quintile fall. If income grows more rapidly for higher-income households facing higher tax rates, the total effective rate rises, even if tax rates do not change for income subgroups. Finally, consistent but different statistics may seem to yield contradictory conclusions if other factors are not considered. An increase in the share of federal taxes paid by a given quintile, for example, need not mean that the quintile's effective tax rate rose or that the distribution of after-tax income changed in either direction. Different rates of income growth among quintiles can drive results in directions that are not apparent in particular statistics, such as shares of taxes paid.

Limitations

The analysis reported in this study focuses on the effective rates of the four largest federal revenue sources between 1979 and 1997. Integral to examining those rates is the changing distribution of income among households over the period. Complementing the analysis are data showing how the shares of income and taxes for segments of the income distribution have changed during the past two decades. Values for all of those measures appear in Appendixes G, H, and I [Appendix I is not provided in this version of the study].

The study is not a comprehensive analysis of the federal tax system. In particular, it does not examine how various taxes affect people's behavior and therefore does not report the tax rates people face on their last dollar subject to tax (the marginal rate). Nor does the study look at the benefits households receive—in the form of goods, services, and transfer payments—that are funded by the taxes they pay. For example, the analysis considers the burden of the Social Security payroll tax but does not take into account the benefits that workers who are currently paying the tax will receive during retirement. The measures of income that the study uses do include government transfers, both in cash and in kind, but those benefits are not balanced against tax liabilities. The data thus do not directly reveal any ties between the taxes people pay and the benefits they receive, even if a direct connection exists. Finally, the study looks only at annual income and taxes. A better indication of the burden of taxes on households at different points in the income distribution would cover a longer period—ideally, each person's lifetime—to remove the effects of year-to-year variations. The lack of good longitudinal data, however, precludes such an analysis.

Summary Figure 1.
Reduction in Effective Federal Tax Rates Between 1979 and 1997, by Income Quintile

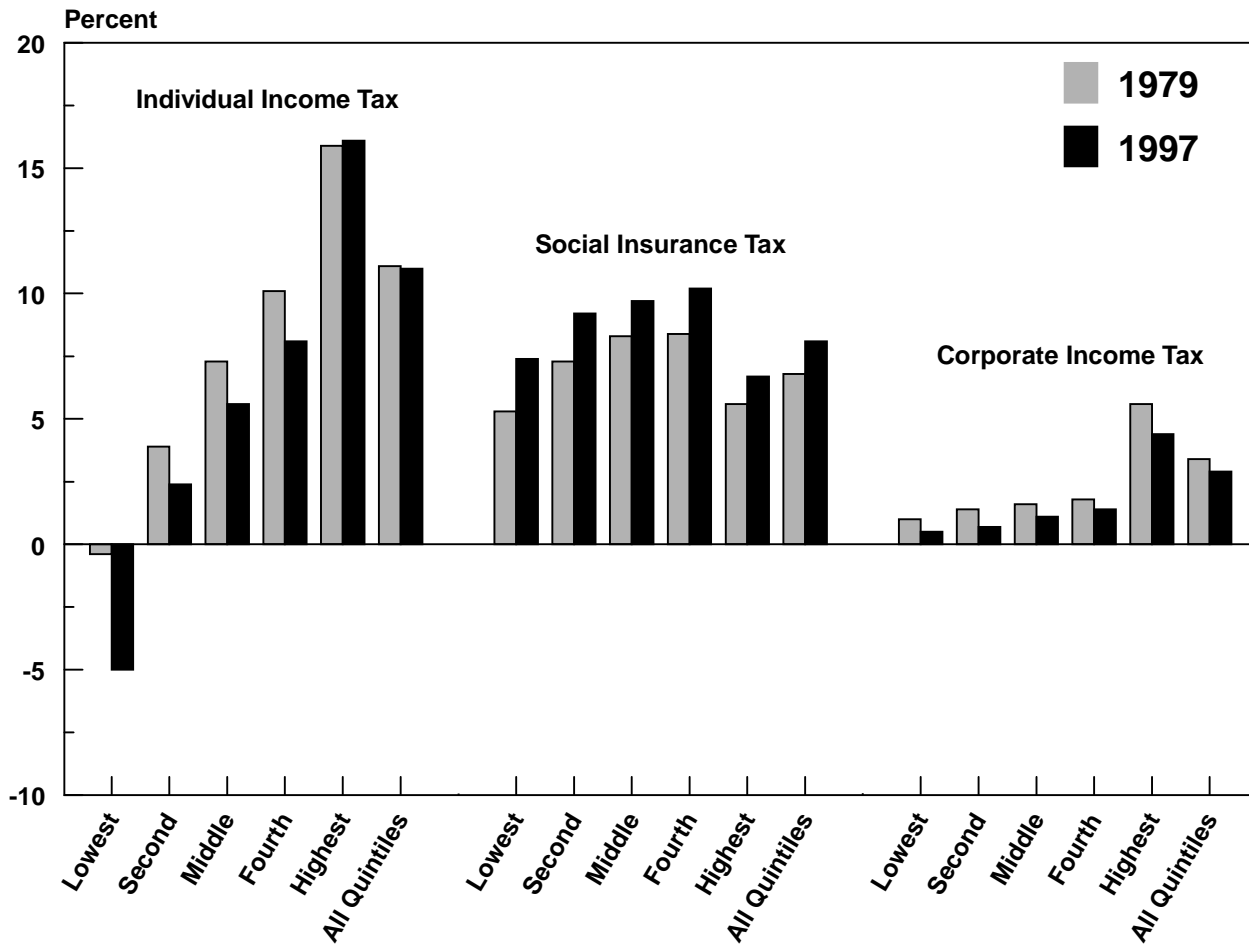


SOURCE: Congressional Budget Office.

NOTES: The effective tax rate equals total taxes as a percentage of total income.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Summary Figure 2.
Effective Federal Tax Rates, by Revenue Source and Income Quintile, 1979 and 1997

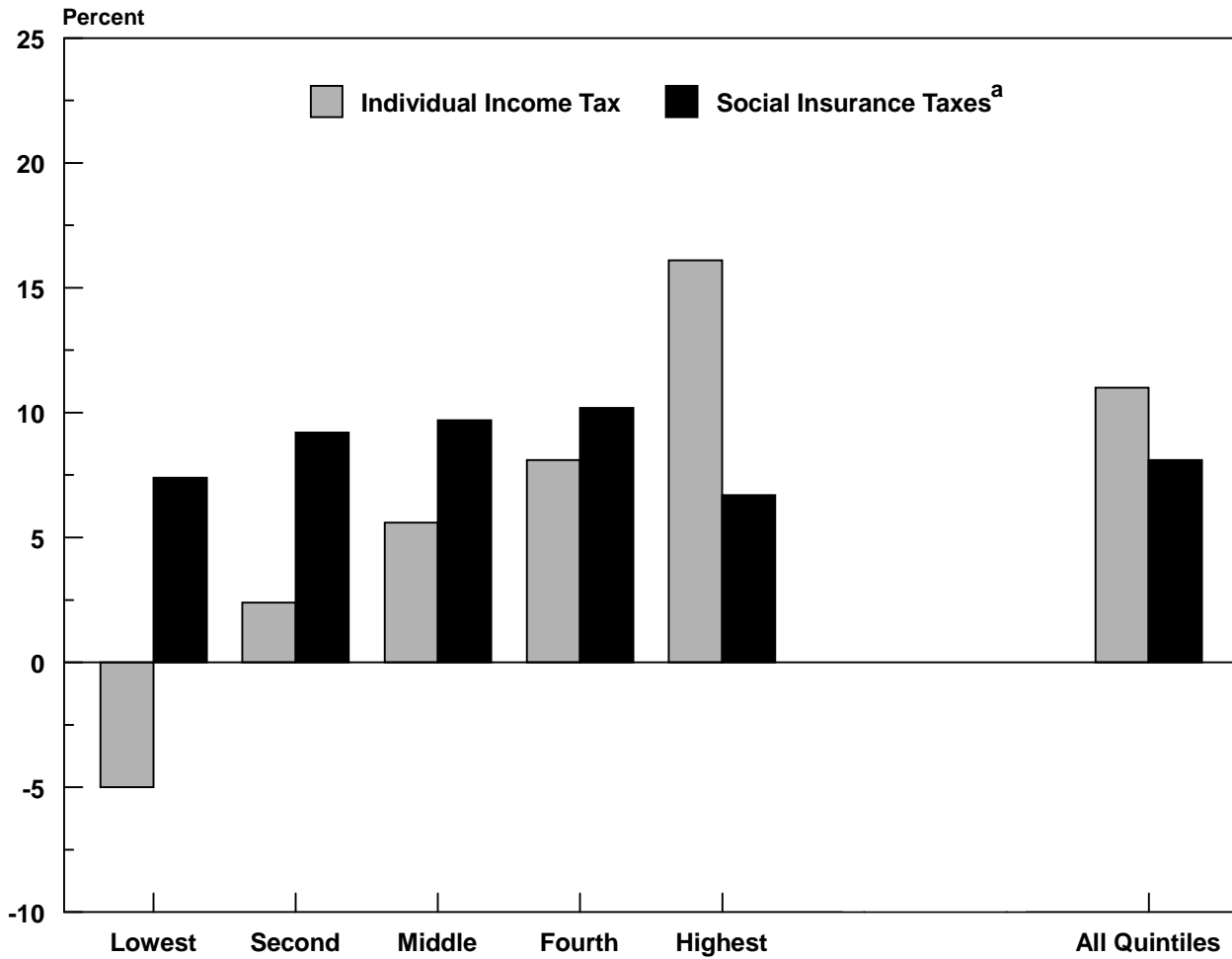


SOURCE: Congressional Budget Office.

NOTES: The effective tax rate equals total taxes as a percentage of total income.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Summary Figure 3.
Effective Federal Individual Income and Social Insurance Tax Rates, by Income Quintile, 1997



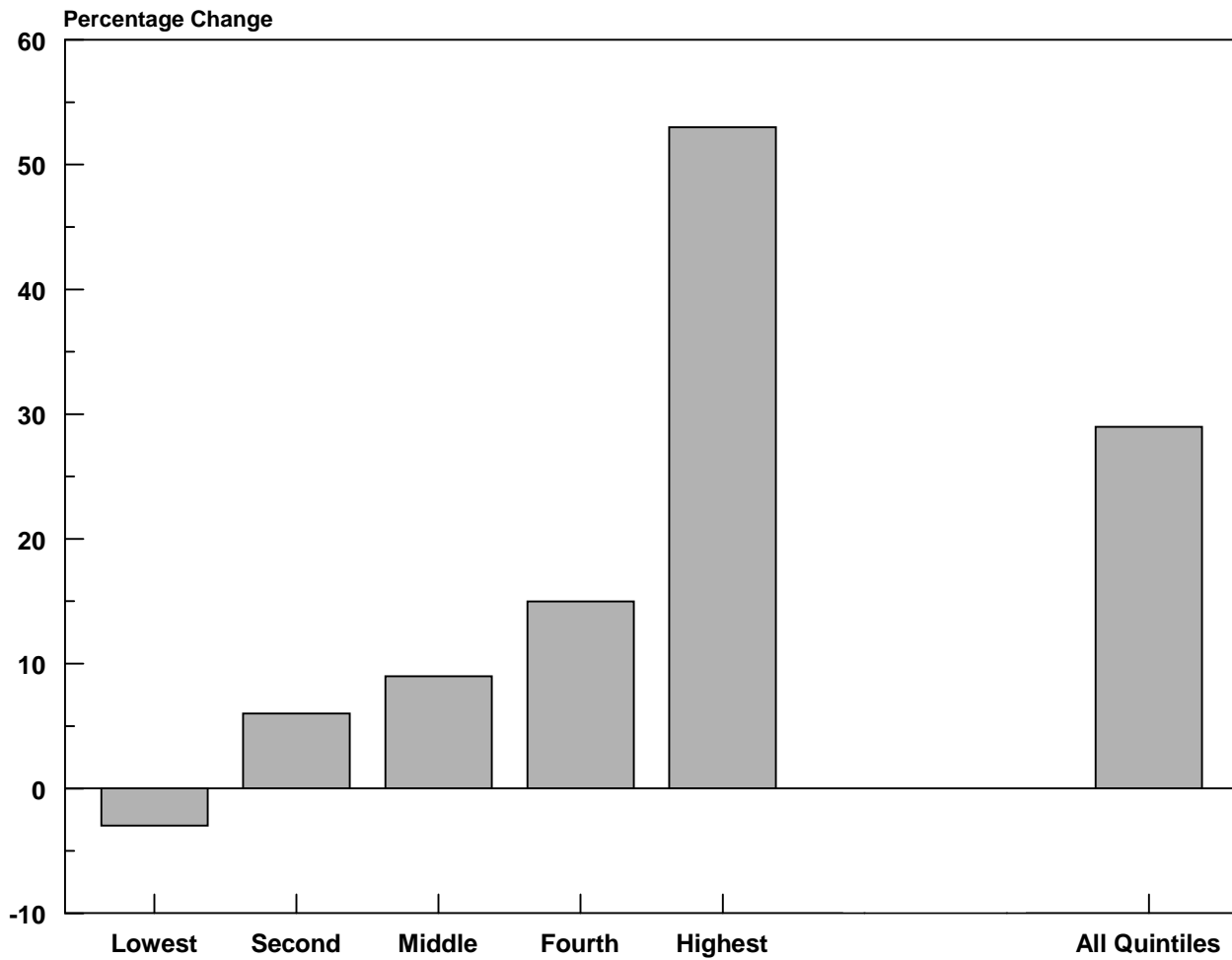
SOURCE: Congressional Budget Office.

NOTES: The effective tax rate equals total taxes as a percentage of total income.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

a. Payroll taxes principally financing Social Security and Medicare.

Summary Figure 4.
Percentage Change in Real Pretax Household Income, by Income Quintile, 1979-1997



SOURCE: Congressional Budget Office.

NOTES: Real pretax household income (which is measured in 1997 dollars) is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes.

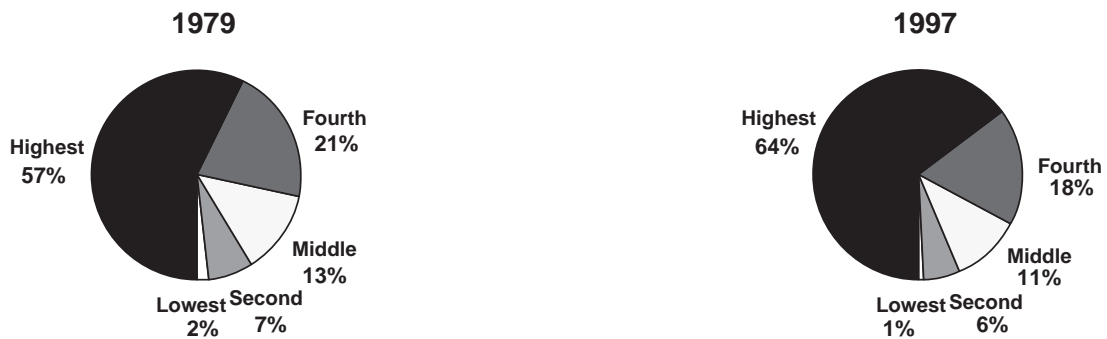
Quintiles, or fifths, of the income distribution contain equal numbers of people.

Summary Figure 5.
Shares of Real Pretax Household Income and Total Federal Taxes, by Income Quintile, 1979 and 1997

Shares of Real Pretax Household Income



Shares of Total Federal Taxes

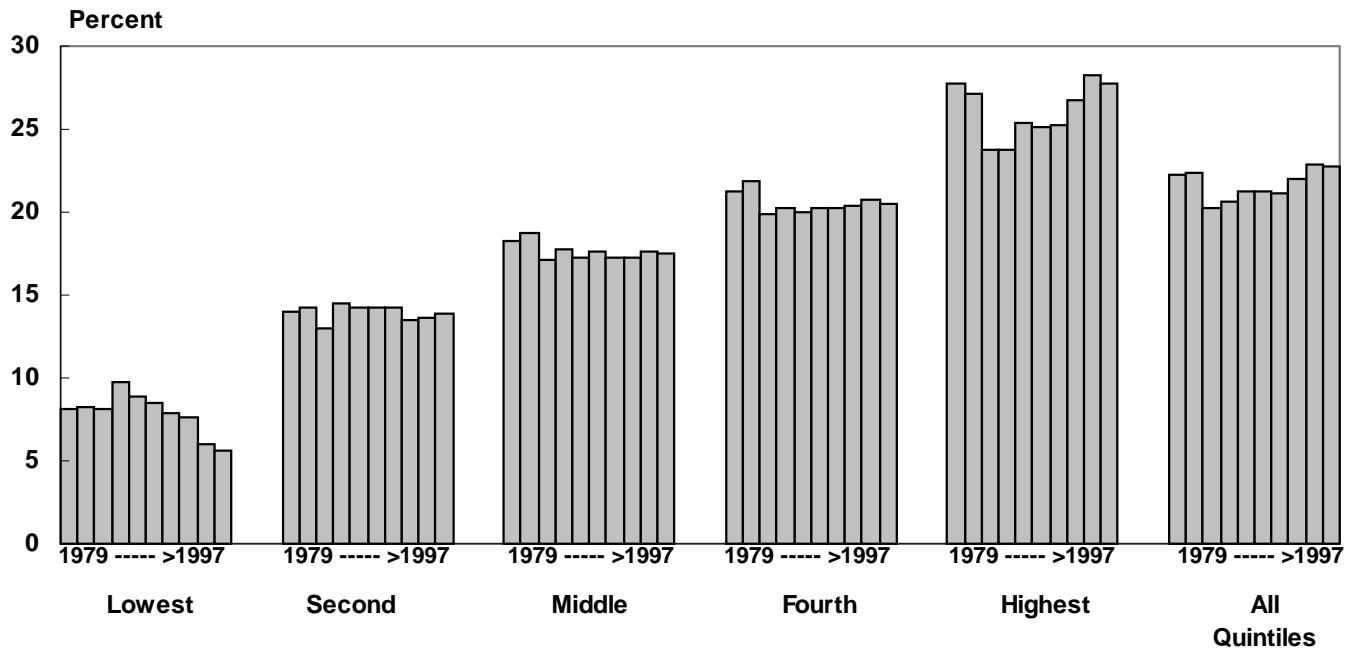


SOURCE: Congressional Budget Office.

NOTES: Quintiles, or fifths, of the income distribution contain equal numbers of people.

Households are people who share a single housing unit, regardless of the relationships among them. Real pretax household income (which is measured in 1997 dollars) is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes.

Summary Figure 6.
Effective Federal Tax Rates, by Income Quintile, 1979-1997

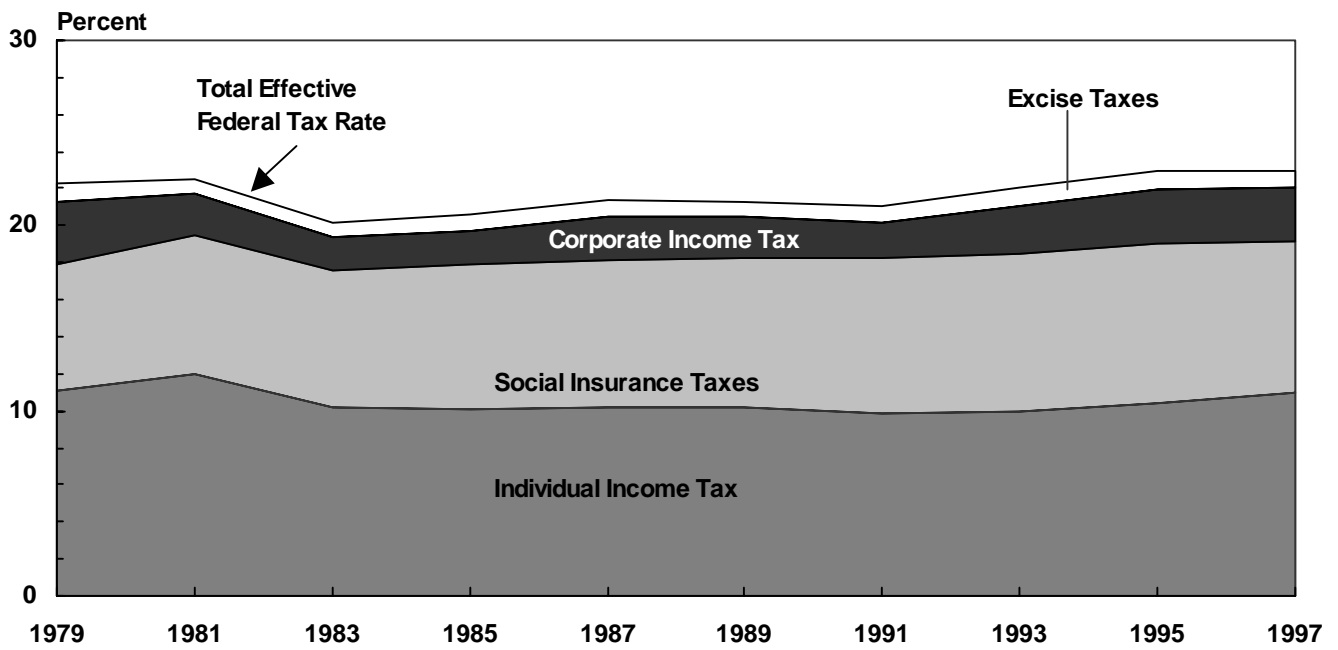


SOURCE: Congressional Budget Office.

NOTES: The effective tax rate equals total taxes as a percentage of total income.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Summary Figure 7.
Effective Federal Tax Rates, by Revenue Source, 1979-1997



SOURCE: Congressional Budget Office.

NOTE: The effective tax rate equals total taxes as a percentage of total income.

The Distribution of Effective Tax Rates and Income

Over the past two decades, rising real incomes—incomes adjusted for the effects of inflation—have driven federal tax revenues upward while a series of changes in tax laws has first lowered and then raised effective tax rates (taxes as a percentage of income). Federal taxes claimed 22.3 percent of household income in 1979; that rate fell to 20.2 percent in 1983 before climbing to nearly 23 percent in 1997 (see Figure 1-1 on page 14).

The small change in the total effective tax rate masks significant variation among households at different points in the income distribution.¹ The average tax rate declined for households in every income quintile, or fifth, of the distribution, but the drop was greater for households in the lowest quintile than for those in the higher quintiles (see Figure 1-2). Breaking down the top quintile further, however, reveals that the top 1 percent of households had the largest percentage-point fall in effective tax rates, dropping 4 points (from 37.3 percent to 33.3 percent).

Federal taxes overall and federal income taxes in particular are progressive: the effective rate rises with income. Households in the top quintile face an effective tax rate that is more than five times that of households in the lowest quintile. Furthermore, progressivity has increased over the past two decades, primarily because the rate faced by households

with the lowest incomes fell by nearly a third with the expansion in the 1990s of the earned income tax credit (EITC).² Federal taxes help narrow the gap between the incomes of high- and low-income households. The increased progressivity of those taxes, however, has not offset the rising share of after-tax income going to the top quintile of households. Furthermore, federal payroll and excise taxes are regressive (their effective rate does not increase with income), which offsets some of the progressivity of income taxes.

Effective tax rates provide information that can be used to evaluate the vertical equity of the federal tax system (how rates vary as income rises), but they indicate nothing about horizontal equity (the similarity of rates faced by households with similar incomes). Effective rates for quintiles average the shares of income going to pay taxes for disparate taxpayers whose tax liabilities (what they owe) may vary widely. Measuring that variation in rates paid by households with similar incomes is the only way to examine the horizontal fairness of federal taxes, an assessment that is not part of this study.

1. Table G-1a in Appendix G shows effective total federal tax rates for each quintile and for subdivisions of the highest quintile.

2. Economists use the concept of progressivity in different ways. On the one hand, progressivity of taxes indicates that effective rates rise as income increases. On the other hand, progressivity can also mean that taxes narrow the income gap between households at the bottom and top of the distribution. Although the meanings are equivalent for taxes and income at a specific time, they may lead to different conclusions about whether a *change* in taxes or income is progressive.

It is important to keep in mind that people and households move among income quintiles over time as both household composition and income change (see Box 1-1). Comparing effective tax rates across years thus says nothing about how rates have changed for individuals. Rather, the rates shown over time for a given quintile compare the tax liabilities of households in that quintile in one year with those of the different group of households that make up the quintile in another year. Substantial income mobility, observed in every examination of longitudinal data that track individuals over time, means that the composition of quintiles changes from year to year. It also limits the conclusions that can be drawn from the analysis reported in this study.

Factors Contributing to Changes in Effective Tax Rates

The fall and subsequent rise in the effective rates of federal taxes over the past 20 years stem from a number of factors. The Congress has enacted multiple laws that have changed both the bases of the various federal taxes and the rates applied to them, raising or lowering revenues and shifting the relative importance of different tax sources. The composition of income—the percentages ascribable to wages, non-wage income, and capital gains—has changed, as has the distribution of income among households facing different tax rates. And demographic shifts have increased the number of elderly, single-parent, and childless households, all of which face effective tax rates that differ from those for the shrinking population of married couples with children.

Changes in Tax Law

The Congress has enacted 15 major tax bills since 1979, 11 of which raised revenues.³ Those laws shifted the relative amounts of revenue raised by different taxes as well as the distribution of each tax

among households. Some of the legislation focused on corporate and excise taxes; six of the laws made major changes in individual income and social insurance taxes, which together account for about five-sixths of all federal revenues.⁴ Those six acts and their important features include the following:

- o *The Economic Recovery Tax Act of 1981* (ERTA) cut individual income tax rates by a cumulative 25 percent over three years, dropping the top rate from 70 percent to 50 percent.⁵ The act also indexed tax brackets for inflation, reducing the bracket “creep” that subjected taxpayers to ever higher rates as their incomes rose to keep pace with higher prices. Firms benefited from increases in accelerated depreciation and provisions for safe harbor leasing that allow corporations with tax deductions they cannot use to transfer those deductions to other corporations that can use them.⁶
- o *The Social Security Amendments of 1983* speeded up scheduled social insurance tax increases, thus raising revenues in 1984, 1988, and 1989. The amendments also set those tax rates for self-employed people equal to the combined employer-employee taxes for other workers. The act made some Social Security benefits subject to income tax for the first time, assigning all revenues from that tax to the Social Security trust funds.
- o *The Tax Reform Act of 1986* (TRA-86) made major changes in the tax base and tax rates for the individual income tax. Under the law, many deductions and exclusions were limited or eliminated. In addition, the number of rate brackets was collapsed from 14 to two, and prior statutory rates that had ranged as high as 50 percent were cut to 15 percent and 28 percent. (Some taxpayers were subject to a marginal rate of 33

3. See U.S. Treasury, *Revenue Effects of Major Tax Bills*, Working Paper 81 (December 1998).

4. Social insurance taxes—also referred to as payroll taxes—are those revenues that finance Social Security, Medicare, and unemployment insurance.

5. A maximum rate of 50 percent already applied to earnings; ERTA extended it to other sources of income.

6. The Tax Equity and Fiscal Responsibility Act of 1982 in part reversed both of those provisions. It also raised individual income taxes with provisions affecting itemized deductions.

Box 1-1. Income Mobility

This study presents a series of biannual snapshots of household income and taxes from 1979 through 1997 for each fifth—or quintile—of each year’s income distribution. Because people move among households and households move among quintiles, data for each quintile represent the experience of different people in each year. The Congressional Budget Office’s analysis thus offers no information about changes in the income or taxes of particular people or groups of people over the 18-year period. In fact, various economic events cause substantial income mobility: people move up and down the distribution each year because of career advancement, unemployment, movement into and out of the labor force, and better or worse returns on their investments. Understanding that mobility requires longitudinal data that follow the same people over time. Such data are unavailable for the analysis reported in this study.

Previous analyses of income mobility confirm the movement of individuals and families over long periods. For example, the Department of the Treasury studied a sample of people filing tax returns every year from 1979 through 1988 and found that only 14 percent of taxpayers in the lowest quintile in 1979 were still in that quintile in 1988, while 65 percent of taxpayers in the highest quintile were in it both years.¹ A study by the Federal Reserve Bank of Dallas that considered data from the University of Michigan’s Panel Study of Income Dynamics—a longitudinal database extending back to the late 1960s—reached similar conclusions by examining people who were in the

labor force every year from 1975 through 1991.² Both of those studies, however, looked at only part of the population, omitting significant groups that probably had the most volatile incomes, either because of periods out of the labor force or events that lowered their incomes below levels that required them to file tax returns. More representative is an Urban Institute study of all people appearing in the Michigan data over two different 10-year periods.³ That analysis found that in both the 1970s and 1980s, about half of the people in either the lowest or highest quintile at the beginning of the period were in the same quintile 10 years later.

Income mobility has many causes, perhaps the most important of which relate to life-cycle movements. Most workers advance over their careers and see their earnings rise until they near retirement. That natural progression alone generates upward movement through the income distribution. At the same time, other events such as spells of unemployment, leaving the labor force temporarily to rear children, and retirement can move people down the distribution. Changes in living arrangements can also have different effects. Marriage can move people up the distribution whereas divorce can move them down; a child who leaves her parents’ home may drop into a lower quintile while her parents move up. Only careful analysis that disentangles the multiple factors driving income mobility can determine the significance of people’s observed movement among quintiles.

1. U.S. Department of the Treasury, Office of Tax Analysis, *Household Income Mobility During the 1980s: A Statistical Assessment Based on Tax Return Data* (June 1, 1992). Limiting the analysis to people filing tax returns in all 10 years excluded people with the lowest incomes because they are not required to file tax returns.

2. W. Michael Cox and Richard Alm, *By Our Own Bootstraps: Economic Opportunity and the Dynamics of Income Distribution*, Federal Reserve Bank of Dallas (1995). Because it excluded people who reported being out of the labor force in any year, the study omitted many people with the greatest income volatility.

3. Isabel V. Sawhill and Mark Condon, “Is U.S. Income Inequality Really Growing?” *Policy Bites*, The Urban Institute (June 1992), pp. 1-4.

percent as the benefits of the 15 percent rate and exemptions were phased out.) TRA-86 also increased the level of the personal exemption and the standard deduction. The act further changed the taxation of capital gains: it removed the 60 percent deduction and made all gains subject to ordinary tax rates, thus making the maximum rate on long-term gains for top income earners 28 percent. The act increased the amount of the EITC and indexed the credit for inflation. Finally, the structure of the current law's alternative minimum tax (AMT) was established by TRA-86. (However, subsequent acts changed the AMT's rates.)

- o *The Omnibus Budget Reconciliation Act of 1990* expanded the EITC and raised the top individual income tax rate to 31 percent. The maximum statutory rate on long-term capital gains remained at 28 percent. The law also instituted a phaseout of exemptions and limited itemized deductions for upper-income taxpayers. A further provision removed the cap on earnings subject to taxation for Medicare.
- o *The Omnibus Budget Reconciliation Act of 1993* created two new tax brackets—36 percent and 39.6 percent—for high-income taxpayers. In addition, it raised the EITC further for families with children and extended the credit to childless taxpayers. The cap on wage income subject to the health insurance payroll tax was removed, thus increasing payroll taxes on high-income workers. The law also increased to 85 percent the percentage of Social Security benefits subject to income taxes for high-income taxpayers.
- o *The Taxpayer Relief Act of 1997* (TRA-97) established a tax credit of \$500 for each dependent child under age 17, created education tax credits for postsecondary school costs, made interest on student loans deductible, and reduced the tax rate on long-term capital gains.

These and other changes in tax law during the 20-year period also affected the level of corporate taxes as well as the level and mix of excise taxes and are thus reflected in the effective tax rates for those two sources of revenue as well.

Changes in tax law influence the effective rate in two ways. Most directly and most obviously, they affect the taxes people pay. But they also affect the behavior of households and corporations, influencing both how much income taxpayers receive and the form in which they receive it. For example, a reduction in the tax on capital gains may induce people to realize more gains and, consequently, have more reported income. The effective tax rates shown in this study derive from reported incomes and taxes paid in each year and therefore reflect both current tax laws and transitory effects caused by anticipated changes in the tax code.

In combination, changes in tax law since 1979 have first lowered effective individual income tax rates and then, for high-income taxpayers, moved them back up. Expansions of the EITC sharply lowered income tax rates for low-income working households, but higher social insurance taxes offset some of those gains. In addition, removing the cap on wages subject to health insurance taxes increased payroll taxes for high-income taxpayers.

The Changing Composition of Income

The federal government imposes different taxes on the various forms of income that taxpayers receive. Wage and salary and self-employment income face both income and social insurance taxes; in contrast, investment income is not subject to social insurance levies. Through most of the period of this analysis, realizations of capital gains received favored tax treatment, with maximum rates below those on ordinary income.

How the composition of income influences effective tax rates can be illustrated by changes in that composition for the lowest quintile of the income distribution. For those households, the effective social insurance tax rate fell from 7.2 percent in 1989 to 6.8 percent in 1993 before rising to 7.2 percent in 1995 and 7.4 percent in 1997. That pattern results directly from the fall and subsequent rise over that period in the share of income coming from earnings and thus subject to the payroll tax (see Figure 1-3).

In general, the composition of income does not affect the individual income tax since most forms of

income receive the same tax treatment. For most of the 1979-1997 period, however, the tax rate on realizations of long-term capital gains differed from that on income from other sources. Before 1987, those gains faced the same rate as other income, but the tax applied to only 40 percent of them. Between 1987 and 1990, the same tax rate applied to both gains and income from other sources. Since 1990, the maximum tax rate for long-term gains has been below the highest rates on other income. That maximum was 28 percent through 1996 and 20 percent since 1997.⁷

The difference between the tax rate on gains and the rate on other income has the greatest impact on the effective tax rate for households at the top of the income distribution. For those households, realized capital gains are a relatively large share of income, and the tax rate on the last dollar of income from sources other than capital gains is highest, at 39.6 percent. Furthermore, because taxpayers can decide when to sell assets and realize gains, they have considerable control over the amount of gains they realize and therefore over the share of their income coming from them. Any change in that share affects the effective rate those households face.

Capital gains make up a large and highly variable share of income for households in the top 1 percent of the income distribution (see Figure 1-4).⁸ For example, between 1995 and 1997, capital gains and nongains income both grew rapidly for that income group. The growth in gains far outpaced its counterpart, however, pushing up the gains share of total income from 21 percent to 28 percent. Meanwhile, TRA-97 cut the maximum tax rate on gains from 28 percent in 1995 to 20 percent in 1997. The higher share of income from capital gains and the reduced tax rate applicable to them offset a higher effective tax rate on nongains income and caused most of the decline—from 23.4 percent in 1995 to 23.0 percent in 1997—in the effective rate for the individual income

tax for the top 1 percent of households. Of course, some of the rise in realized gains stemmed from the lower rate.

The Changing Distribution of Pretax Income

Average household income before taxes grew in real terms by nearly one-third between 1979 and 1997, but that growth was shared unevenly across the income distribution (see Figure 1-5). The average income for households in the top fifth of the distribution rose by more than half. In contrast, average income for the middle quintile climbed 10 percent and that for the lowest fifth dropped slightly. Furthermore, income growth at the very top of the distribution was greater yet: average income in 1997 dollars for the top 1 percent of households more than doubled, rising from \$420,000 in 1979 to more than \$1 million in 1997.

The uneven gains in income generated sharp changes in the shares of pretax income going to each fifth of the income distribution (see Figure 1-6). The share received by the highest quintile climbed from 46 percent in 1979 to 53 percent in 1997, while the share for the lowest quintile fell from 5 percent to 4 percent. Households in the top 1 percent saw their share of total income rise by more than two-thirds, growing from 9 percent to nearly 16 percent.

Because high-income taxpayers face effective tax rates that are much higher than the rates for other households, the rapid rise in their income has generated more than a proportional increase in federal tax revenues. In turn, that increase has driven up the overall effective tax rate faster than the growth in income. The unequal income growth also helps explain the near-record share of gross domestic product (GDP) claimed by federal taxes in the absence of virtually no increase in effective tax rates for any quintile. (Box 1-2 separates out the factors leading to changes in the share of GDP claimed by taxes.)

Demographic Changes

In 1979, households with children (at least one member under age 18) and nonelderly childless house-

7. The new, lower rate applies to gains realized after May 6, 1997. TRA-97 also established a 10 percent tax rate on gains realized by taxpayers in the 15 percent bracket, as well as lower rates after 2000 for gains on assets held for at least five years.

8. Many factors affect the share of income from capital gains. Its growth in recent years, for example, came in large part from rapid increases in the prices of common stocks. The large fall in the share in 1987 came directly as a result of the increase in the tax rate on capital gains that was enacted as part of TRA-86.

Box 1-2.
Individual Income Tax Receipts as a Percentage of GDP

Statistics on federal taxes often measure revenues not as a share of household income but rather as a percentage of gross domestic product, or GDP (see the figure below). Because of significant conceptual differences between GDP and household income, the effective tax rates discussed in this study can differ substantially from the percentage of GDP that goes for taxes. Deviation of the two measures can therefore appear to indicate different trends.

**Total Revenues as a Share of GDP,
Fiscal Years 1979-1997**



SOURCE: Congressional Budget Office.

During the late 1990s, federal revenues grew faster than GDP, pushing up the tax share of GDP from 18.1 percent in 1995 to 19.9 percent in 1998, a post-World War II high. Two-thirds of that growth came from rising individual income tax receipts,

which climbed from 7.8 percent of GDP to 9.0 percent.¹

Three factors explain the faster growth—relative to GDP—of individual income tax receipts over the period (see the table below). First, taxable personal income (TPI) in the national income and product accounts rose more rapidly than national income, accounting for one-fifth of the increased growth. Second, adjusted gross income (AGI) increased by more than did TPI. That rapid growth, mostly due to exploding capital gains realizations, explains more than one-third of the excess. Third, the effective tax rate on AGI rose, in part because real (inflation-adjusted) income growth pushed taxpayers into higher tax brackets and in part because a greater share of AGI went to high-income taxpayers, who face the highest tax rates. (Box 1-3 on page 9 shows recent changes in effective tax rates measured as a percentage of AGI.) Nearly half of the growth in individual income tax liabilities in excess of growth in GDP resulted from the higher effective tax rate. Note that the measure of effective tax rates used to assess that effect—taxes as a percentage of AGI—differs from the broader measure used throughout this analysis. The two measures moved in similar ways over the period, however.²

1. Some of the increase has taken place since 1997 and is therefore not reflected in the effective tax rates discussed in this study. Note that taxes claimed an even larger share of GDP in 1999 and 2000, but data are not yet available for those years to conduct the kind of analysis reported here.

2. Table G-1c in Appendix G shows changes since 1979 in the shares of pretax income going to households in different quintiles of the income distribution.

Growth of Individual Income Tax Liabilities in Excess of Growth of GDP, by Revenue Source, 1995-1998 (In percent)

Source of Growth of Tax Liabilities	1995	1996	1997	1998 ^a	Total, 1995-1998 ^a
Taxable Personal Income (TPI) Grew Faster than GDP	21	12	14	33	20
Adjusted Gross Income (AGI) Grew Faster than TPI					
Capital gains taxes grew faster than TPI	21	52	30	15	30
Other AGI grew faster than TPI	14	4	9	2	6
Changes in the Effective Rate on AGI ^b	<u>44</u>	<u>32</u>	<u>47</u>	<u>50</u>	<u>44</u>
Total	100	100	100	100	100
Memorandum:					
Growth of Individual Income Tax Liabilities in Excess of Growth of GDP (Billions of dollars)	27	39	35	40	141

SOURCE: Congressional Budget Office using data from the Internal Revenue Service's Statistics of Income for 1995 through 1998.

a. The estimates of 1998 tax liabilities do not include the child and education credits enacted in the Taxpayer Relief Act of 1997.

b. The effective tax rate on AGI differs from the broader measure of effective tax rates used in this study. AGI excludes significant amounts of income counted for the broader measure.

holds (headed by a person under age 65 and no member younger than 18) each represented two-fifths of all households; elderly childless households (headed by a person age 65 or older and no member younger than 18) made up the remaining fifth. The elderly share changed little over the subsequent two decades, but the fraction composed of households with children dropped 10 percent to just over one-third of all households. Nonelderly childless households grew in number to make up the difference. Furthermore, within the declining share of households with children, the fraction headed by single parents climbed from one-fifth to more than one-quarter.

Those demographic shifts have affected federal tax revenues in two ways. First, because nonelderly childless households have higher average incomes than other households, the relative growth of that group increased total household income more than would otherwise have been the case, driving revenues upward. Second, elderly taxpayers and those with children face more favorable income tax treatment than nonelderly households without children. Social Security benefits, for example, are taxed only for recipients with incomes above \$25,000 (\$32,000 for joint filers), and even then, part of the benefits are exempt. Moreover, because elderly taxpayers are less likely to have earnings, most of them owe no payroll taxes. Low-income working families with children are favored under the EITC: they qualify for a much more generous credit than do childless taxpayers. In addition, households with children can generally claim more dependent exemptions than other households can, and all but those with the highest income may claim tax credits of \$500 per child.

Changing Sources of Federal Revenues

The distribution of federal taxes among taxpayers depends in part on the relative importance of the four major sources of federal revenues: individual and corporate income taxes, social insurance taxes, and excise taxes. Corporate taxes fall more heavily on taxpayers at the top of the income distribution, social insurance taxes claim a larger share of middle-class incomes, and excise levies disproportionately affect

low-income households.⁹ Over the past 20 years, the shares of federal revenues coming from those sources have varied widely (see Figure 1-7).

The share of revenues from individual income taxes trended downward during the late 1980s, partly as a result of the cuts in rates and indexation of brackets and other parameters enacted in ERTA and partly because of rising payroll tax rates. Only with the steep climb in incomes since 1995 and rate increases in 1990 and 1993 has the fraction of revenues from that source returned to the levels of the early 1980s. In fiscal year 2001, individual income taxes will provide fully half of all federal revenues.

Corporate income taxes fell sharply as a share of federal revenues in the early 1980s as the economy dipped into a deep recession. Between 1983 and 1997, the trend reversed: corporate profits rebounded, and the corporate income tax share of revenues nearly doubled. Interrupted only by the short recession in 1990, the growth of revenues from those taxes reflects the rise in corporate profits, which climbed from 7 percent of GDP in 1983 to 10 percent in 1997. In fiscal year 2001, corporate taxes will make up about one-tenth of federal revenues.

Social insurance levies will provide roughly a third of all federal revenues in fiscal year 2001. The legislated increases in tax rates during the early 1980s raised the share of revenues coming from that source by more than a fifth, to nearly 38 percent in 1992. That share has drifted downward since then as a result of the extraordinary climb in income taxes.

The share of revenues coming from excise taxes declined steadily over the 18-year period, dropping from its high of nearly 7 percent in 1981 to less than half that level in fiscal year 2001. Much of the drop results from levies that are set not as a percentage of the price of a good but rather as a fixed dollar amount per unit sold.

9. The Congressional Budget Office allocates corporate taxes and the employer's share of social insurance taxes to individuals using generally accepted assumptions about the incidence of taxes. For further discussion, see Chapter 2.

Effective Tax Rates

The slight rise in the total effective federal tax rate for all households between 1979 and 1997 hides the decline in that measure for each quintile of the income distribution. It also hides the substantially different changes in effective rates for the four sources of revenue. Changes in the total effective tax rate reflect the shifting distribution of income among quintiles as well as legislation affecting specific taxes. To understand those changes thus requires an examination of each source of revenue.

Individual Income Taxes

The effective rate of the individual income tax for all households dipped during the 1980s before returning to essentially the same level in 1997 as it had reached in 1979 (see Figure 1-8). That lack of change over the period reflected a drop of nearly 5 percentage points (to -5.0 percent) for the lowest fifth of households, a decline of at least 1.5 percentage points for each of the middle three quintiles, and a slight rise for households with the highest incomes. Trends in effective rates during the 1990s that moved downward for low-income households and upward for those with high incomes came in part from expansion of the EITC, in part from new tax brackets with higher rates, and in part from the rapid growth of income at the top of the distribution that pushed more income into the highest tax brackets. Although fully comparable data do not exist for the years since 1997, information from tax returns indicates that the diverging trends in rates have continued at least through 1999 (see Box 1-3).

The dramatic shift of pretax income toward the top quintile—its share increased from 46 percent to 53 percent over the period—joined with reductions in rates to shift the burden of individual income taxes onto the highest-income households (see Figure 1-6). The top quintile of households paid 78 percent of total individual income taxes in 1997, up from 66 percent 18 years earlier (see Figure 1-9). The top 1 percent of households bore the bulk of that change: their share rose from 19 percent to 33 percent over the interval.

Social Insurance Taxes

The effective social insurance tax rate climbed steadily over most of the past two decades, rising from 6.8 percent in 1979 to 8.6 percent in 1995, as the Congress pushed up levies to improve the long-run stability of Social Security and Medicare (see Figure 1-10). The rate settled slightly lower in 1997 only because more income went to the highest-income households, for whom the cap on Social Security taxes limited their exposure.¹⁰ Over the entire period, the effective tax rate rose for every quintile, with the largest rate of increase affecting households with the lowest income.¹¹

Corporate Income Taxes

Between 1979 and 1997, the effective rate for the corporate income tax first declined by nearly half and then rose to a level that was half a percentage point below its level in 1979. The principal cause of that trend was the fall and subsequent rise of corporate profits.¹² Households at every income level experienced a drop in their effective corporate income tax rate, but the magnitude of the decline differed, depending on the share of their income coming from capital (interest, dividends, rent, and capital gains). Furthermore, because capital income goes disproportionately to the wealthiest households, the tax is highly progressive. At the same time, the effective tax rate dropped proportionately more for households at the top of the income distribution than for households with lower income, making the tax less progressive in 1997 than it was in 1979.

10. Taxes for Old-Age, Survivors, and Disability Insurance are levied on earnings up to a maximum amount, which is set at \$80,400 in 2001. Earnings above that limit are subject only to the Medicare payroll tax.

11. Social insurance taxes finance specific transfer programs. It is therefore difficult to evaluate those taxes without considering the distribution of benefits they pay for. That sort of evaluation, however, is beyond the scope of this study.

12. Table G-1a shows the effective corporate tax rate by income quintile for the 1979-1997 period.

Box 1-3.
Trends in the Individual Income Tax Since 1997

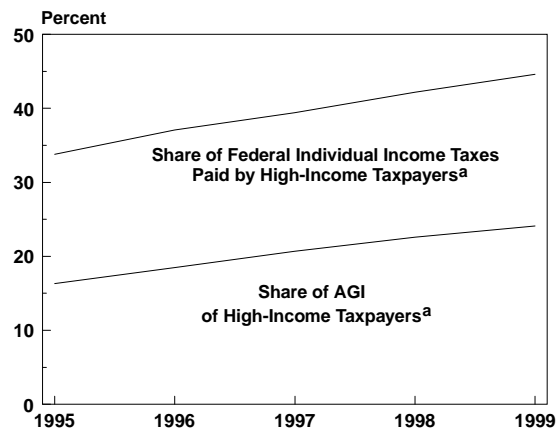
The Congressional Budget Office's database on effective tax rates currently ends in 1997. Preliminary data on individual income taxes are available from tax returns through 1999. The statistics from tax returns differ in three ways from other data reported in this study. First, they cover only the tax-filing population and thus exclude people with very low taxable income. Second, the unit of analysis is the tax return, not the household, which means that the average income per unit is lower than for the more aggregated household measure. Third, the income measure used is adjusted gross income (AGI) reported on tax returns, a less comprehensive yardstick than those used for the study's estimates of effective tax rates. Furthermore, small changes in the definition of AGI over the three-year period (such as the new deduction for interest on student loans effective in 1998) reduce the comparability of the data. Nonetheless, the tax-return data offer indications about recent trends in effective tax rates and changes in the distribution of income and taxes.

Recent tax data show that the total effective federal income tax rate on AGI fell from 14.2 percent in 1997 to 14.0 percent in 1998 (see the table below). Lower individual income tax rates resulting from the Taxpayer Relief Act of 1997 explain much of the drop. That law reduced capital gains tax rates and introduced credits for children and for the costs of higher education. Because the lower tax rate affected only some 1997 capital gains, most of the change be-

tween 1997 and 1998 came from the new child and education credits. Households throughout the income distribution shared in the tax savings as the effective tax rate fell for all three broad classes of AGI.

Preliminary data for 1999 show an increase in the total effective tax rate, to 14.6 percent. The lower two classes of income experienced little change in tax rates between 1998 and 1999, but taxpayers with income above \$200,000 saw their tax rate rise from 26.2 percent to 27.0 percent (because more of their income was taxed at higher rates).

Tax-Return Data on Shares of Adjusted Gross Income and Taxes for Returns with More Than \$200,000 of AGI, 1995-1999



SOURCE: Congressional Budget Office based on data from the Internal Revenue Service's Statistics of Income for 1995 through 1999.

a. Taxpayers with AGI above \$200,000.

The tax data through 1999 also show continued growth in the shares of income and taxes reported on high-income returns (see the figure above). The share of AGI going to taxpayers with income above \$200,000 rose from 16 percent in 1995 to 24 percent in 1999. Over the same period, the fraction of individual income taxes paid by that group climbed from 34 percent to 45 percent. Note, however, that the share of taxpayers with AGI over \$200,000 rose sharply, increasing from 1.3 percent in 1995 to 1.9 percent in 1999. (Appendix J contains additional data from tax returns for 1995 through 1999.)

**Effective Individual Income Tax Rates
Based on Tax-Return Data, 1997-1999 (In percent)**

Adjusted Gross Income (1999 dollars)	1997	1998	1999
Under \$50,000	6.3	5.7	5.7
\$50,000 to \$200,000	14.3	13.9	14.0
\$200,000 and Over	27.0	26.2	27.0
Overall Rate	14.2	14.0	14.6

SOURCE: Congressional Budget Office based on the Internal Revenue Service's (IRS's) Statistics of Income (1997 and 1998) and the IRS's master file (1999).

NOTE: Individual income tax totals are net of the refundable earned income tax credit. Effective rates are calculated by dividing individual income taxes by AGI.

Excise Taxes

Over the past two decades, despite legislated increases in statutory rates, excise taxes have claimed a nearly constant share of income—at or just under 1 percent.¹³ That virtual lack of change in effective rates, however, obscures markedly different effects within different income categories. The lowest quintile first saw excise taxes dip from 2.1 percent of their income in 1979 to 1.6 percent in 1981 and then climb to 2.8 percent in 1997. In contrast, the quintile with the highest incomes experienced a drop in the effective rate from 0.7 percent to 0.5 percent over the same period. The overall effect was to make a regressive tax even more regressive: excise taxes claimed five times the share of income from the lowest-income households that they claimed from the highest-income households. However, to the extent that one intent of imposing excise taxes is to reduce the consumption of particular goods, that regressivity may be viewed as less onerous.

Composition of Changes in Effective Tax Rates

The overall trends in effective federal tax rates derive from widely differing changes for the various income quintiles in the effective rates of the four major revenue sources (see Figure 1-11). Rapid expansion of the EITC in the 1990s cut individual income tax rates sharply for households in the lowest quintile, more than offsetting significant increases in social insurance and excise tax rates. For the middle quintile, rising social insurance taxes roughly balanced the fall in individual income taxes, and the decline in corporate income taxes accounted for virtually all of the drop in their overall effective tax rate. In contrast, the top quintile saw the combination of individual income and social insurance tax rates rise by about the same amount as corporate income and excise tax rates decreased, leaving their total effective federal tax rate almost the same in 1997 as it had been in 1979.

13. Table G-1a shows the effective excise tax rate by income quintile for the 1979-1997 period.

The Distribution of After-Tax Income

The overall progressivity of federal taxes yields a distribution of after-tax income that is less unequal than that of pretax income (see Figure 1-12). The decline in effective tax rates for low-income households since 1979 would have narrowed the gap between the incomes of high- and low-income households, had incomes themselves not grown disproportionately rapidly for those at the top of the income distribution. Income growth, however, dominated any changes in tax law in determining the rising inequality of after-tax income.

In 1979, the share of total after-tax income going to the highest quintile was less than seven times the share going to the lowest quintile; by 1997, the multiple exceeded 10. In both years, that multiple was about one-fourth larger before taxes than after, indicating little change in the effect of federal taxes in leveling the income distribution. Nonetheless, that reduction itself shows the amount of redistribution brought about by taxes.

Effective Federal Tax Rates for Different Types of Households

Overall effective federal tax rates faced by various types of households changed differentially between 1979 and 1997. Households with children saw taxes take a larger bite out of their pretax incomes at the end of the period compared with the early years.¹⁴ The reverse held true for households with elderly members. Nonelderly childless households experienced virtually no change in their federal tax rate over the two decades. Those overall trends, however, conceal significant differences in the rates of the four major taxes, the growth of income for the three types

14. If the child tax credits and other changes that were part of TRA-97 had been in effect in 1997, they would have reversed some of that rise in the effective tax rate for households with children. Even with the 1997 tax reductions, however, the effective tax rate in 1997 would have exceeded the rate in 1979.

of households, and the effective tax rates faced by households in different parts of the income distribution.

Households with Children

As a group, households with children experienced a rise in their effective federal tax rate between 1979 and 1997 of 1.4 percentage points, almost entirely the result of a slightly larger increase in the share of their income going for social insurance taxes (see Figure 1-13). Their effective individual income tax rate dropped during the 1980s but rose in the 1990s to a 1997 level identical with that in 1979. Corporate income and excise tax rates moved down slightly over the period.

The rise in effective social insurance tax rates over the two decades occurred for households with children throughout the income distribution.¹⁵ There were sharp differences, however, in changes in the individual tax rate for households with children at different points in the income distribution. Expansion of the EITC drove that rate down—from -1 percent in 1979 to -9 percent in 1997—for the quintile with the lowest income; the negative rates indicate payments to taxpayers whose credits exceeded their positive tax liability.¹⁶ At the other end of the income distribution, households with children in the top quintile faced higher individual income tax rates in 1997 than in 1979, in part because substantial growth in their income made more of it subject to higher tax rates and in part because of the legislated increases in rates in 1990 and 1993. Effective income tax rates dropped for households with children in the middle three quintiles but by much less than for the lowest-quintile households. In future years, the child credit—established by TRA-97 and set at \$500 per child per year—will reduce effective individual income tax rates for households with children throughout the income distribution.

Elderly Households

Between 1979 and 1997, a large drop in the effective corporate income tax rate offset a smaller rise in the individual income tax rate for elderly households as a group, yielding a decline of 1 percentage point in their overall effective federal tax rate (see Figure 1-14). Elderly households saw virtually no change in either social insurance or excise tax rates over the period. The overall effective tax rate would have dropped even more, had not substantial increases in pretax income moved many elderly households up the income distribution and into higher income tax brackets. For example, the number of elderly households in the lowest income quintile dropped 15 percent between 1979 and 1997 while the number in the top quintile increased nearly 60 percent.

That upward movement of elderly households in the income distribution during the 1980s and 1990s obscured differences in the changes in effective tax rates across income quintiles.¹⁷ For example, the effective individual income tax rate for all elderly households rose by 1.2 percentage points between 1979 and 1997, even though the rate for no quintile changed by more than half a percentage point over the period and the rate for the top quintile fell. That apparent anomaly resulted from income gains that shifted substantially more income of elderly households into higher tax brackets, pulling up the average rate for the entire group. For elderly households in the lowest quintile who pay no individual income tax, small declines in other taxes just offset higher excise tax rates, leaving the lowest-income elderly the only quintile whose effective federal tax rate did not fall over the two decades.

Nonelderly Childless Households

The near constancy of the total effective federal tax rate between 1979 and 1997 for nonelderly childless households obscures increases in rates at the bottom of the income distribution and slight decreases at the top.¹⁸ Higher social insurance and excise tax rates

15. Table G-2a shows effective rates for each revenue source faced by each quintile of households with children.

16. In the federal tax system, only the EITC was refundable during the two decades under consideration.

17. Table G-3a shows effective rates for each revenue source faced by each quintile of elderly households.

18. Table G-4a shows effective rates for each revenue source faced by each quintile of nonelderly childless households.

more than offset falling individual and corporate income tax rates for the bottom two quintiles, yielding a rise of 1 percentage point in their effective rates. At the top of the distribution, individual income tax rates changed little over the two decades. Rising social insurance taxes balanced declining corporate income and excise taxes, leaving the highest-income households with roughly the same total federal tax rate at the end of the period as at the beginning. Changes in tax law from TRA-97 had little effect on federal taxes for nonelderly childless households throughout the income distribution.

Effective Federal Tax Rates by Cash Income Category

The foregoing discussion of federal tax rates relies on a measure of income that includes more than just cash receipts and that adjusts for differences in household size. Using that broader measure affects the analysis in various ways. First, it increases measured income for some households but not for others, depending on the distribution of noncash income. Second, that higher income reduces calculated effective tax rates: the same tax liability divided by a larger income yields a lower tax rate. Third, adjusting income for differences in the size of households moves larger households down the income distribution and smaller households up it. As described in greater detail in Chapter 3, the net effect is to shift households with children into lower quintiles and elderly and nonelderly childless households into higher quintiles.

As a result of those effects, this analysis may not fit well with people's perceptions of their own tax situations. A more familiar measure of effective federal tax rates that is easier to understand classifies households by cash income. Nevertheless, analyzing tax rates using cash income categories presents several limitations. Most important, even though categories in different years are defined in terms of constant 1997 dollars—that is, categories with unchanging purchasing power—they represent different fractions of the population over time. For example, the top income category used in the following analysis (\$200,000 and above) includes three times as many

households in 1997 as in 1979, a period that saw only a 25 percent increase in total households.

In addition, it is important to keep in mind that cash measures of income are poor indicators of household well-being.¹⁹ Noncash income omitted from the measure can make households significantly better off. A given amount of cash income goes a lot further for a smaller household than for a larger one. Despite those limitations, however, analyzing effective tax rates for households in different cash income categories provides useful information about the nature of the federal tax system.

Between 1979 and 1997, the effective federal tax rate:

- o Fell for households with income below \$50,000 (in 1997 dollars);
- o Was virtually unchanged for those with income between \$50,000 and \$75,000;
- o Rose slightly for households with income between \$75,000 and \$100,000; and
- o Declined for households with income above \$100,000 (see Figure 1-15).²⁰

Patterns of change across the two decades varied widely, depending on the impact of changes in different taxes. For example, households with the highest income saw their effective tax rate drop sharply between 1979 and 1985 before rising over the next decade and then dropping again between 1995 and 1997. In contrast, households at the bottom of the income distribution saw their tax rates rise during most of the 1980s before declining in the 1990s.

At every level of household income, the effective individual income tax rate declined between 1979 and 1997. The decline was most pronounced for households with income below \$10,000, for whom the expansion of the EITC pushed down their

19. Chapter 2 discusses alternative measures of income that may give a more accurate picture of household well-being.

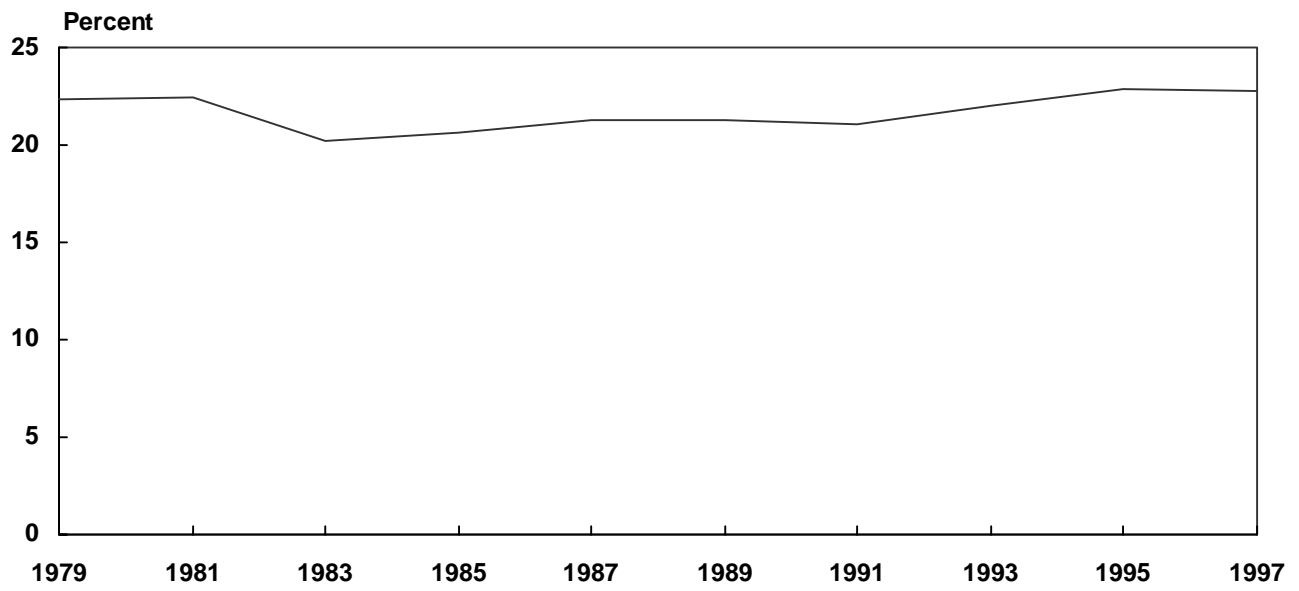
20. Table H-1a provides effective tax rates for all cash income categories for each of the four major sources of federal taxes and the total of all four taxes over the 1979-1997 period.

income tax rate to -4.3 percent—a payment from the government rather than a tax liability. The lower tax rates for each income category were not reflected in the effective tax rate for all households, however. The growth of real income over the period moved households into higher income categories and consequently into tax brackets subject to higher rates: the fraction of households with income above \$75,000 (in 1997 dollars) climbed from 14.4 percent in 1979 to 19.8 percent in 1997. That “real bracket creep”

caused the effective individual income tax rate for households as a group to rise slightly.

The effective social insurance tax rate for all households rose between 1979 and 1997. Moreover, every income category experienced a rising tax rate. Increases were greatest for households with income between \$100,000 and \$200,000 (the rate climbed from 5.9 percent to 9.6 percent), largely because all earnings became subject to Medicare taxes.

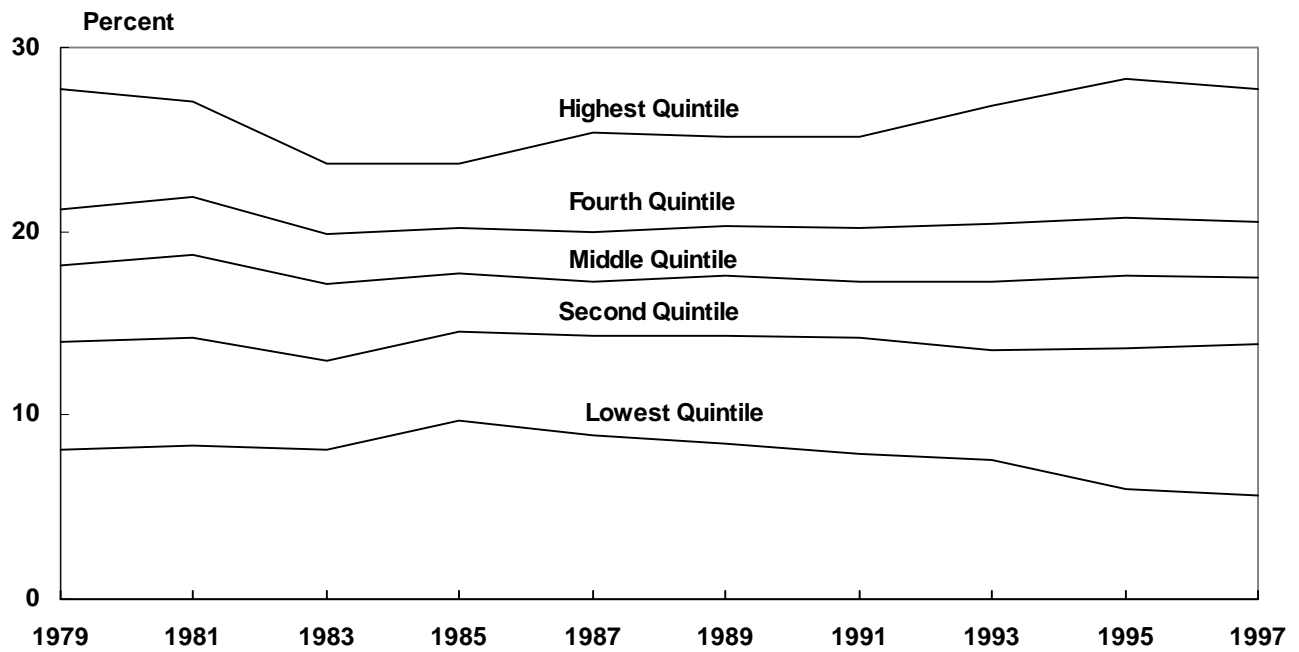
Figure 1-1.
Total Effective Federal Tax Rate, 1979-1997



SOURCE: Congressional Budget Office.

NOTE: The effective tax rate equals total taxes as a percentage of total income.

Figure 1-2.
Total Effective Federal Tax Rates, by Income Quintile, 1979-1997

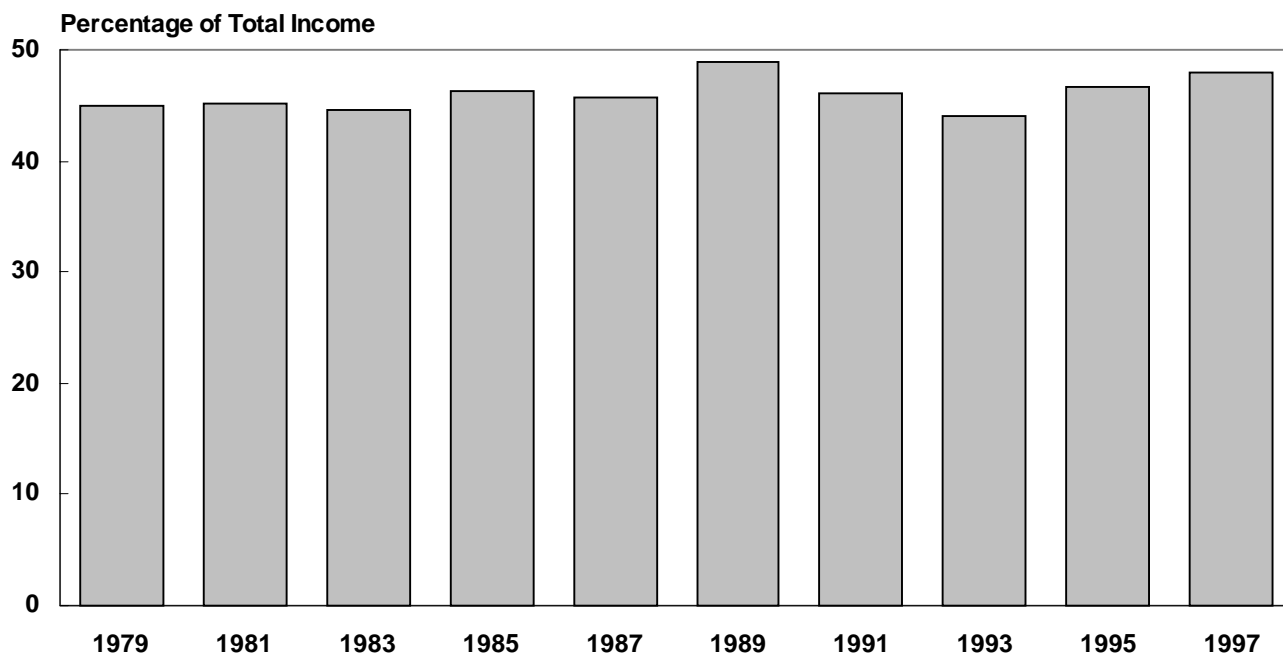


SOURCE: Congressional Budget Office.

NOTES: The effective tax rate equals total taxes as a percentage of total income.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Figure 1-3.
Earnings as a Share of Total Income for Households in the Lowest Quintile
of the Income Distribution, 1979-1997

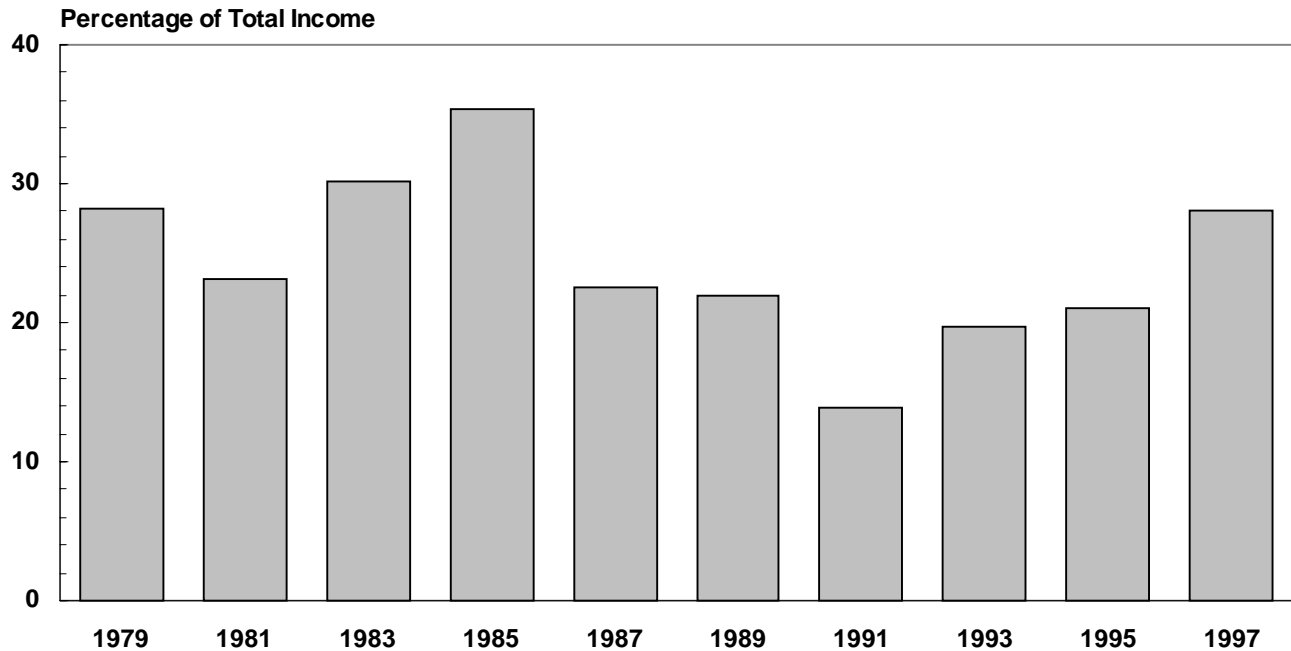


SOURCE: Congressional Budget Office.

NOTES: Quintiles, or fifths, of the income distribution contain equal numbers of people.

Households are people who share a single housing unit, regardless of the relationships among them. Pretax household income (which is measured in 1997 dollars) is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes.

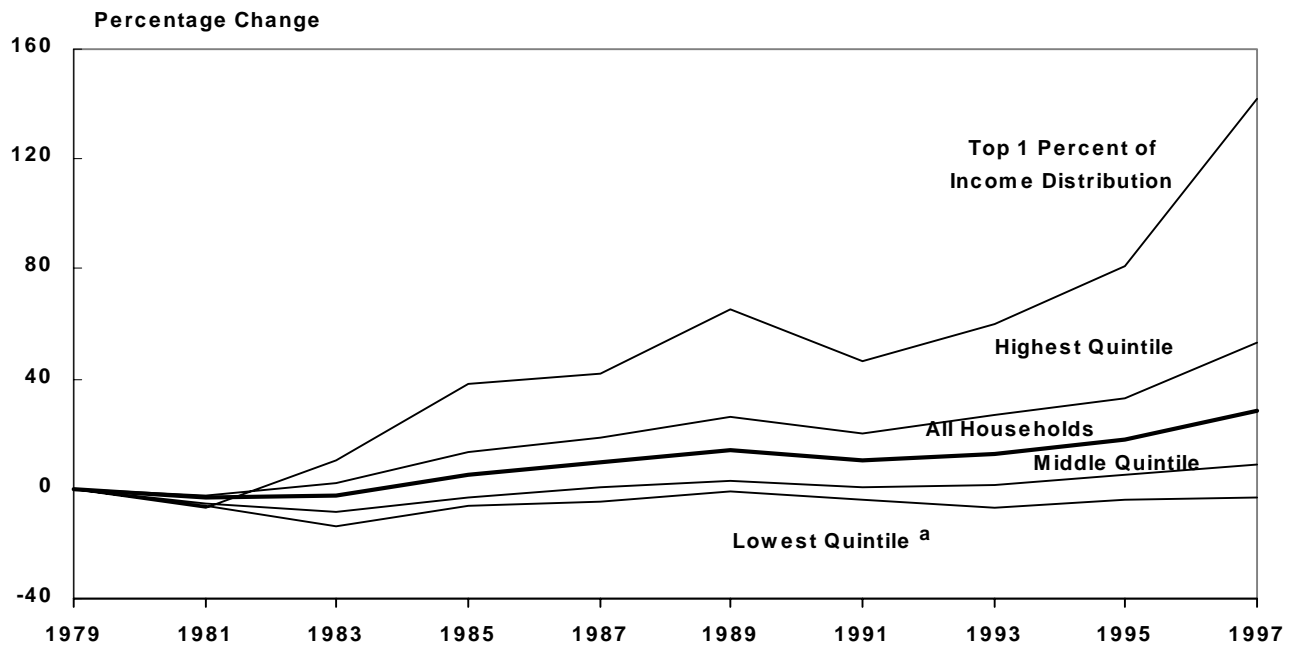
Figure 1-4.
Capital Gains as a Share of Income for Households in the Top 1 Percent of the Income Distribution, 1979-1997



SOURCE: Congressional Budget Office.

NOTE: Households are people who share a single housing unit, regardless of the relationships among them. Pretax household income (which is measured in 1997 dollars) is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes.

Figure 1-5.
Percentage Change from 1979 in Real Pretax Household Income, by Income Group



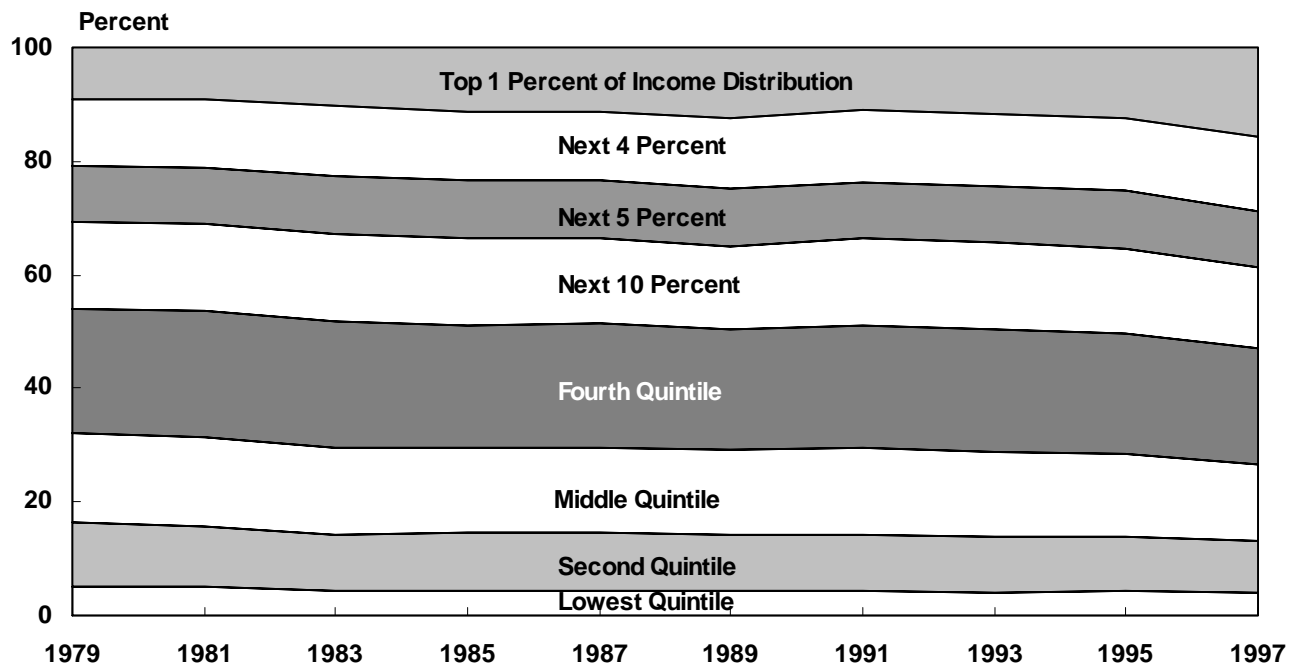
SOURCE: Congressional Budget Office.

NOTES: Quintiles, or fifths, of the income distribution contain equal numbers of people.

Real pretax household income (which is measured in 1997 dollars) is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes.

a. Excludes households with negative incomes.

Figure 1-6.
Shares of Pretax Household Income, by Income Group, 1979-1997

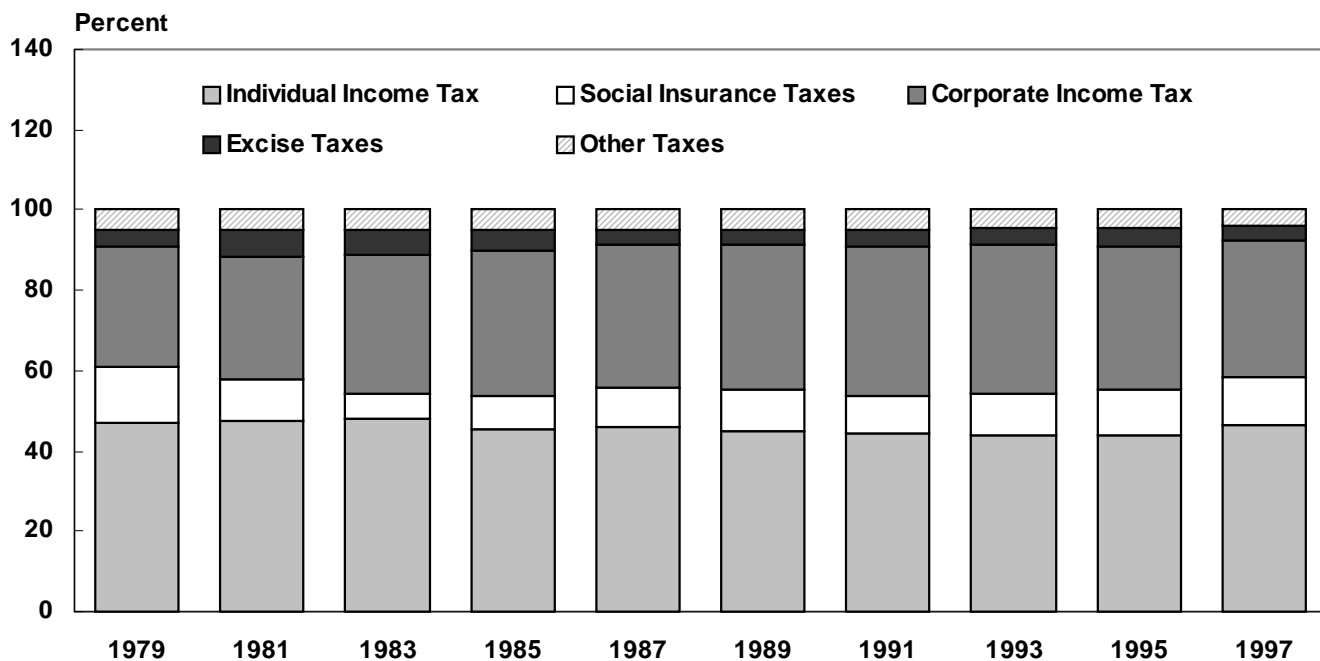


SOURCE: Congressional Budget Office.

NOTES: Quintiles, or fifths, of the income distribution contain equal numbers of people.

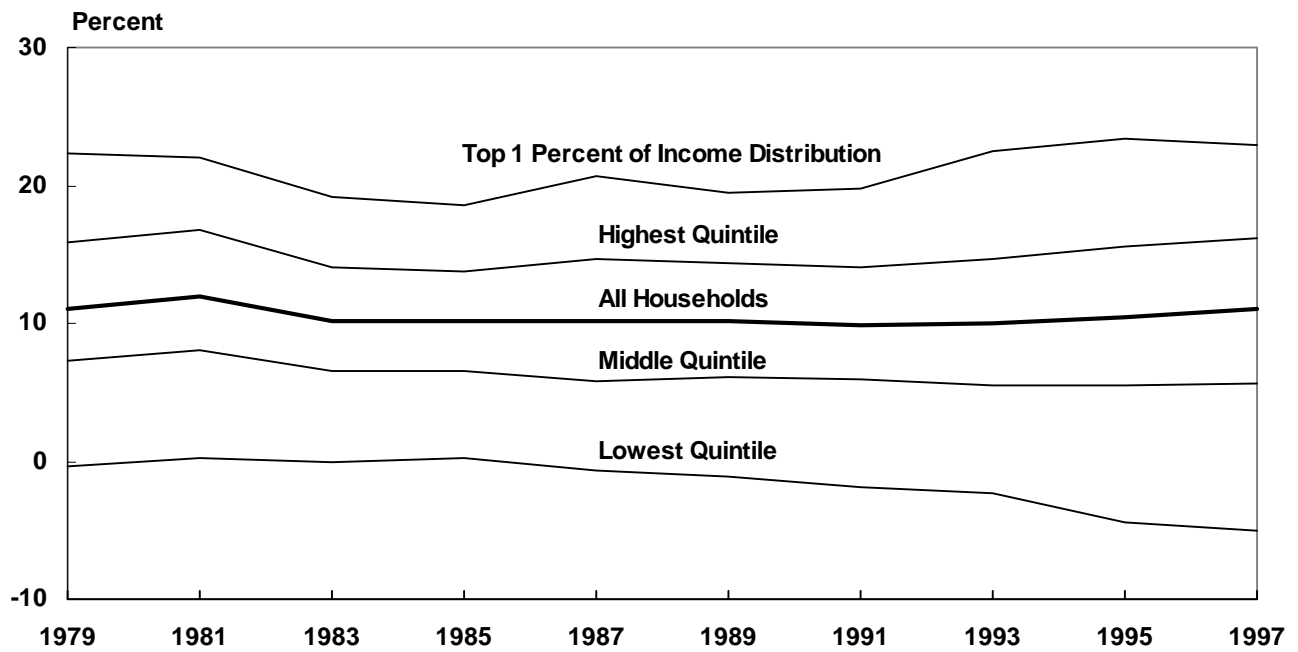
Households are people who share a single housing unit, regardless of the relationships among them. Pretax household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes.

Figure 1-7.
Shares of Total Federal Revenues, by Source, 1979-1997



SOURCE: Congressional Budget Office.

Figure 1-8.
Effective Individual Income Tax Rates, by Income Group, 1979-1997

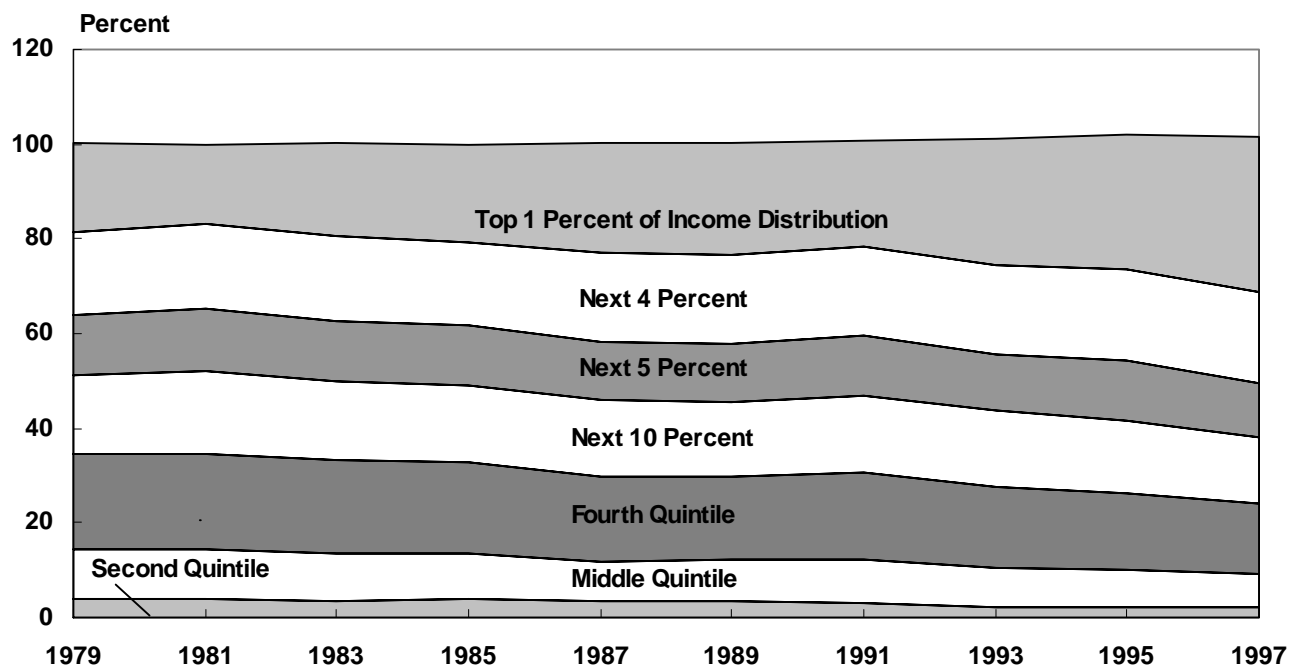


SOURCE: Congressional Budget Office.

NOTES: The effective tax rate equals total taxes as a percentage of total income.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Figure 1-9.
Shares of Individual Income Taxes, by Income Group, 1979-1997

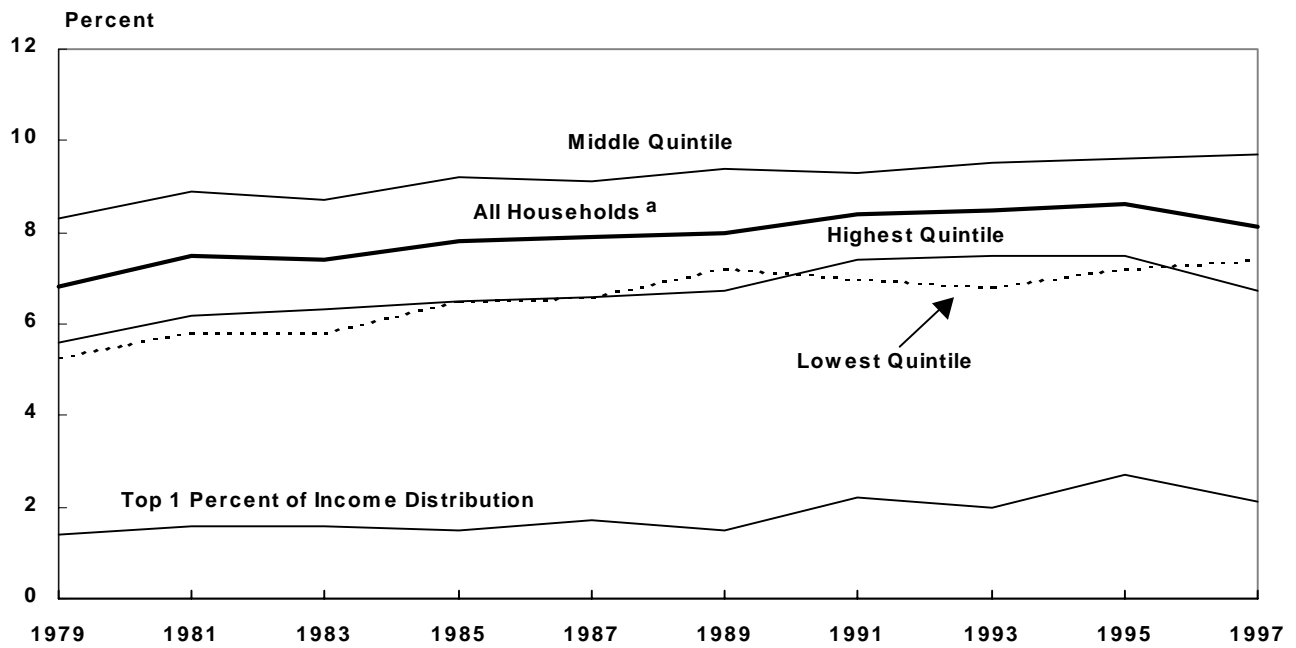


SOURCE: Congressional Budget Office.

NOTE: Quintiles, or fifths, of the income distribution contain equal numbers of people.

The share of taxes paid by the lowest quintile is less than zero and is not shown.

Figure 1-10.
Effective Social Insurance Tax Rates, by Income Group, 1979-1997



SOURCE: Congressional Budget Office.

NOTES: Social insurance, or payroll, taxes principally finance Social Security and Medicare.

The effective tax rate equals total taxes as a percentage of total income.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

a. Households are people who share a single housing unit, regardless of the relationships among them.

Figure 1-11.
Effective Federal Tax Rates, by Income Quintile and Revenue Source, 1979-1997

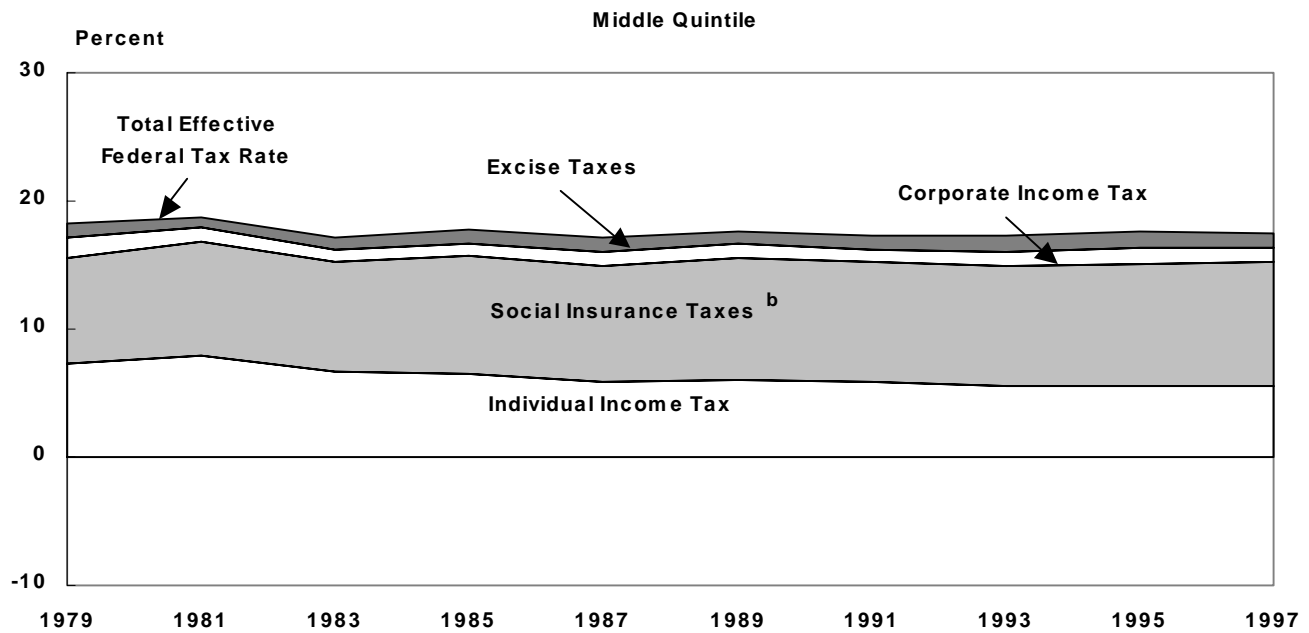
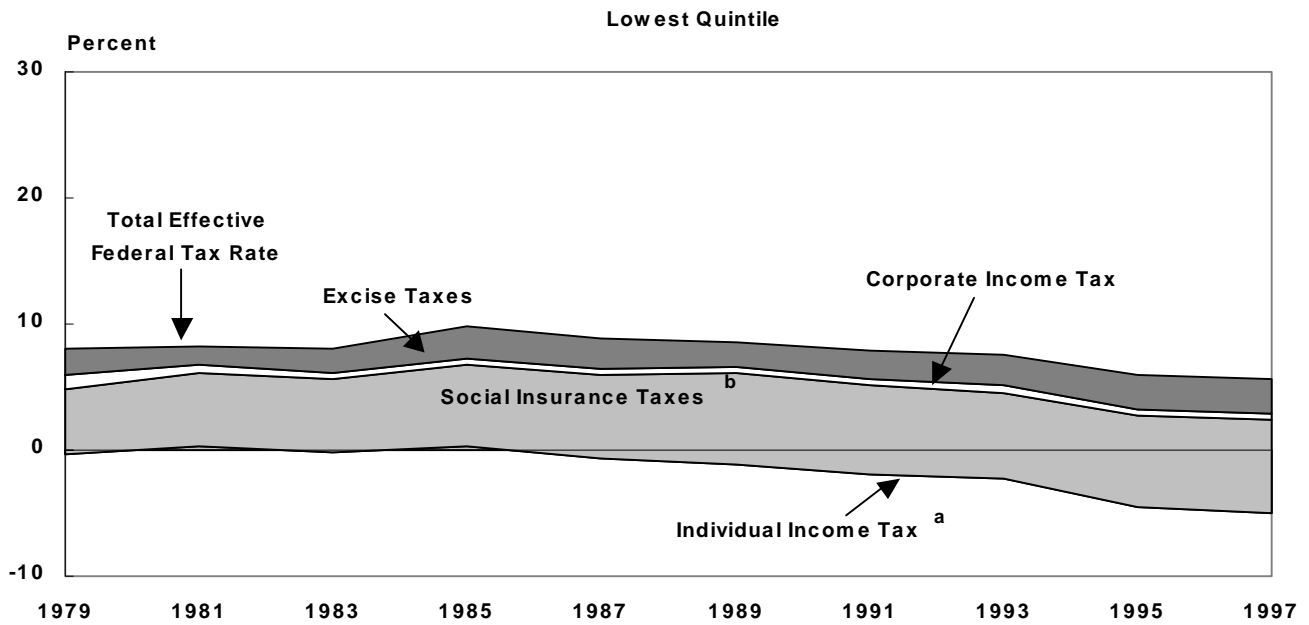
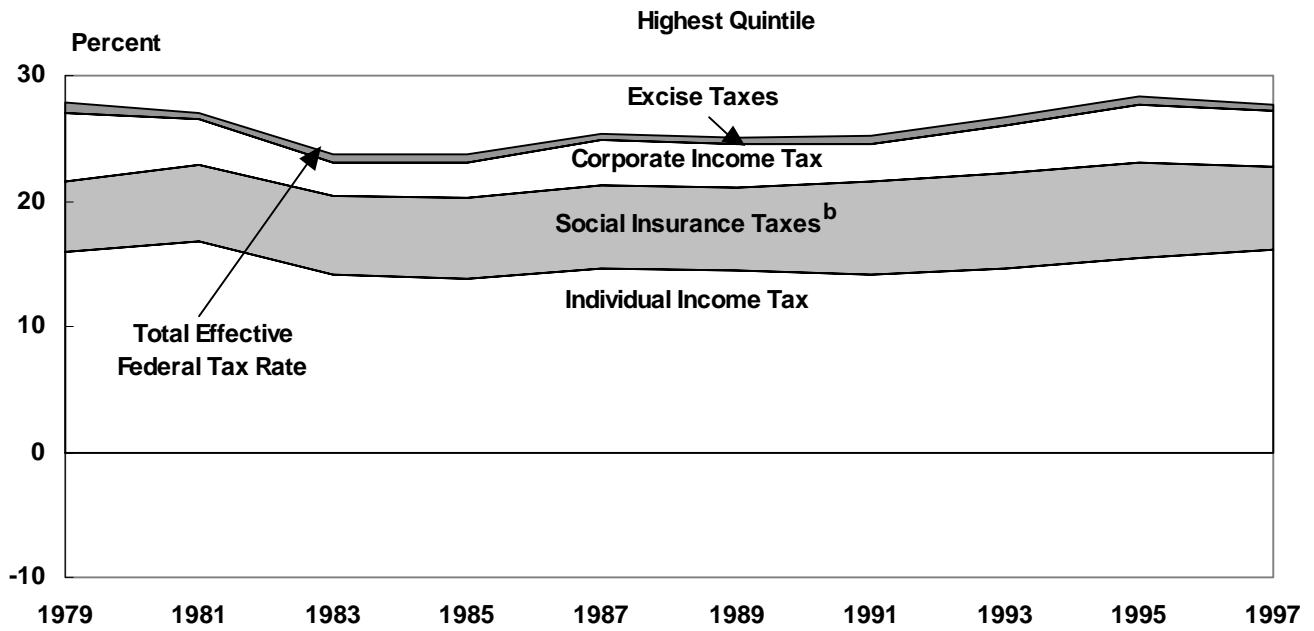


Figure 1-11.
Continued



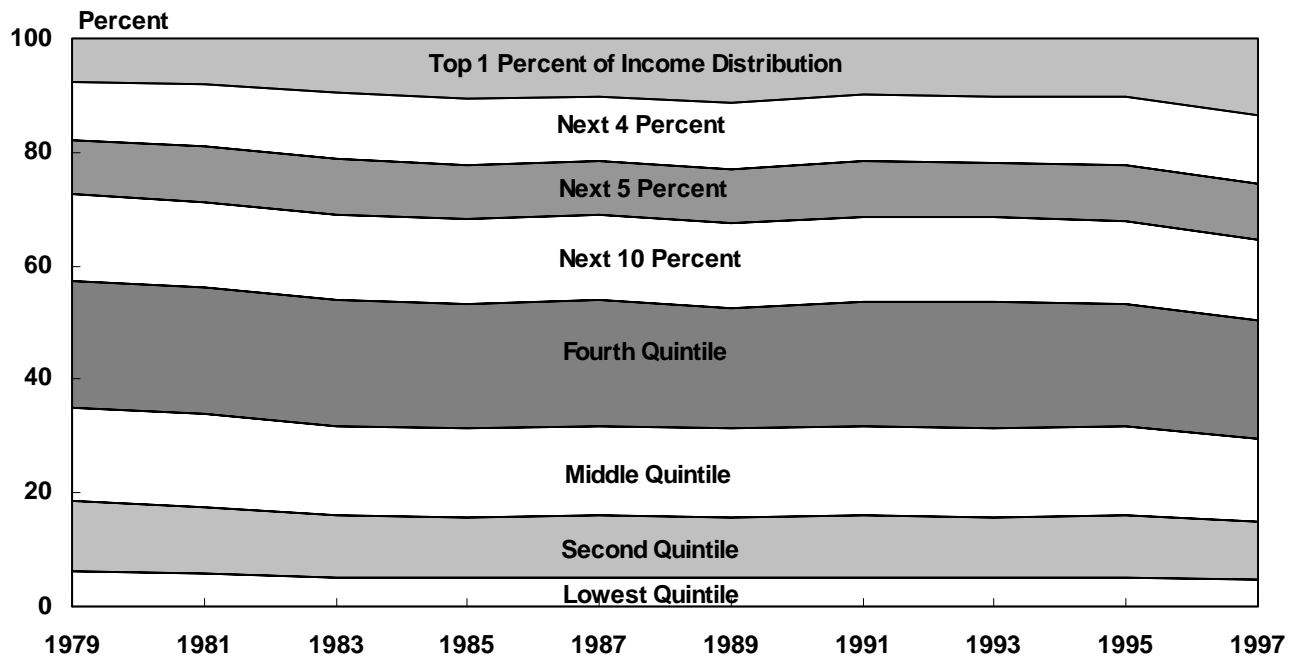
SOURCE: Congressional Budget Office.

NOTES: The effective tax rate equals total taxes as a percentage of total income.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

- a. For the lowest quintile, the effective individual income tax rate is negative in most years.
- b. Social insurance, or payroll, taxes principally fund Social Security and Medicare.

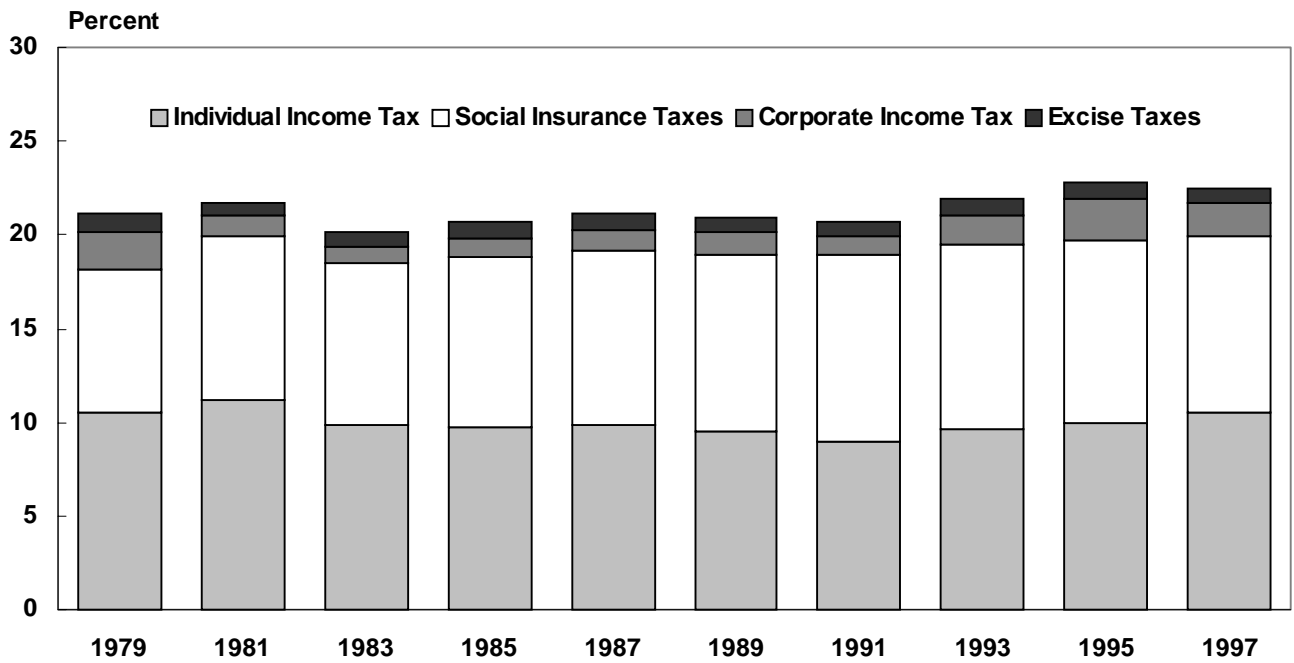
Figure 1-12.
Shares of After-Tax Household Income, by Income Group, 1979-1997



SOURCE: Congressional Budget Office.

NOTE: Households are people who share a single housing unit, regardless of the relationships among them. After-tax household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. It does not include individual income taxes, the corporate income tax, payroll taxes, or excise taxes.

Figure 1-13.
Effective Tax Rates for Households with Children, by Revenue Source, 1979-1997

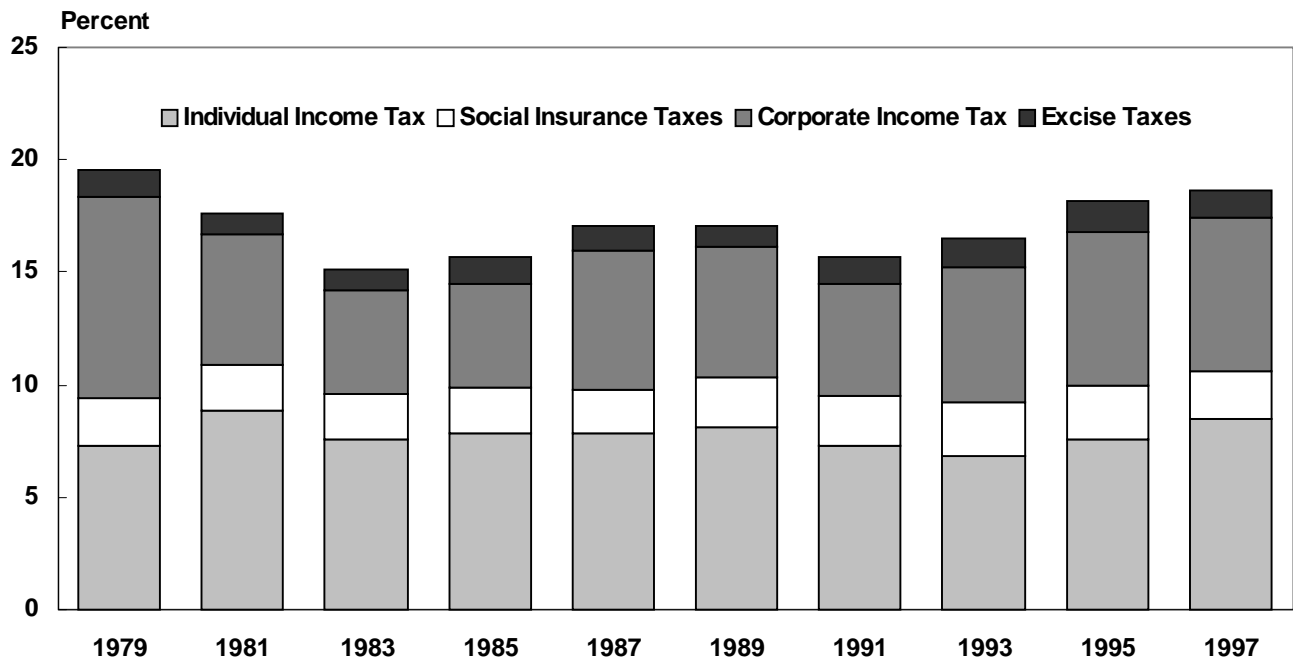


SOURCE: Congressional Budget Office.

NOTES: The effective tax rate equals total taxes as a percentage of total income.

A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18.

Figure 1-14.
Effective Tax Rates for Elderly Households, by Revenue Source, 1979-1997

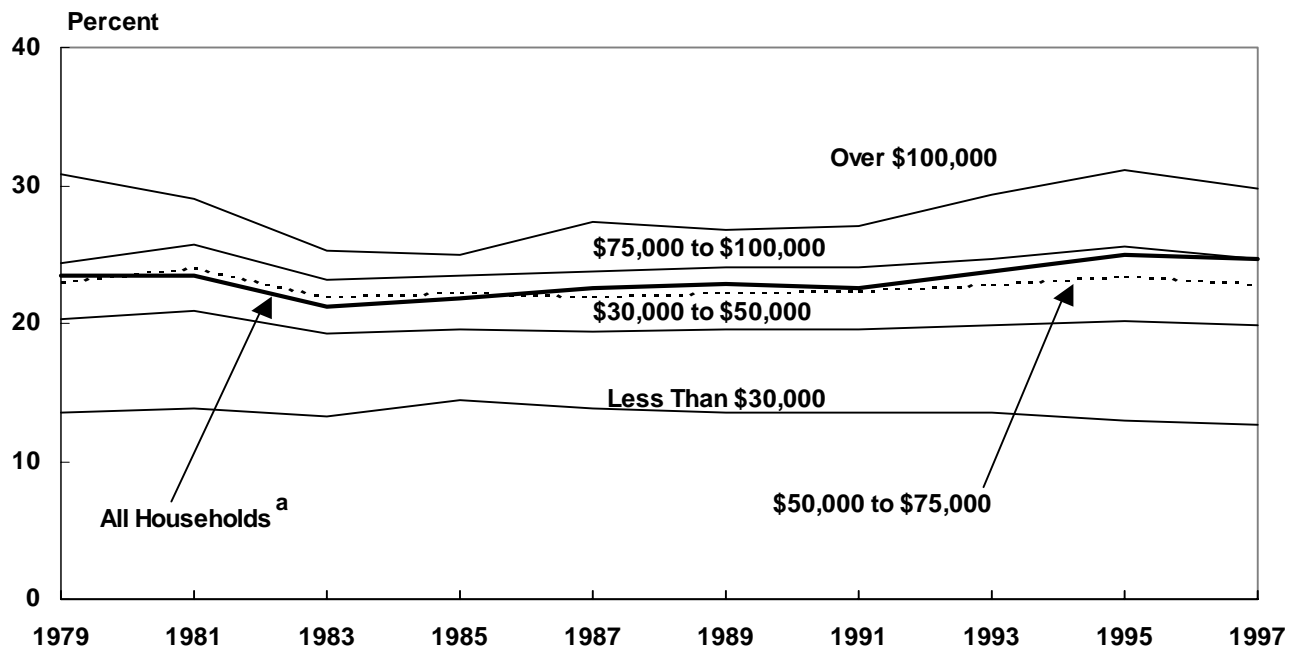


SOURCE: Congressional Budget Office.

NOTES: The effective tax rate equals total taxes as a percentage of total income.

A household consists of the people who share a housing unit, regardless of their relationships. An elderly household is one with no member under age 18 and at least one member age 65 or older.

Figure 1-15.
Effective Total Federal Tax Rates, by Income Category, 1979-1997



SOURCE: Congressional Budget Office.

NOTE: The effective tax rate equals total taxes as a percentage of total income.

a. Households are people who share a single housing unit, regardless of the relationships among them.

Methodological Issues

Analyzing the distribution of taxes among categories of income requires many decisions. What units should be used to measure income? What counts as income? What adjustments to income are needed to account for different circumstances faced by households and families? Who bears the incidence of various taxes? What time period is appropriate for the study? The answers to those questions all affect any distributional analysis. Knowing the trade-offs involved in choosing among alternatives is essential to a complete understanding of the implications of distributional data.

Decisions affecting the analysis discussed in this study are driven by several considerations. The study's principal goal is to understand the distribution of federal taxes, not to examine the distribution of income either for a single year or over time. To the extent possible, given the limitations of the available data, the study examines the distribution of federal taxes in terms of income measures that reflect the relative economic positions of households. Compromises result from missing information about specific sources of income as well as the lack of longitudinal data. Choices made from among competing methods often depend on the nature of the taxes being considered. Finally, many decisions reflect explicit trade-offs and a recognition of the pluses and minuses of each choice. The alternative measures presented in Chapter 3 provide some understanding of the effects of the choices made. Those alternatives, however, do not encompass all possible choices, and the limited period that the study covers means that any comparison applies only to the two

decades under consideration and may not hold over other periods.

The Unit of Analysis

Ranking people by income requires choosing the unit over which to measure income. Because income matters not for its own sake but rather for the consumption and saving that it makes possible, the appropriate groupings of people are so-called consumer units—groups that combine their resources to purchase goods and services. Yet even that simplification encounters problems because groupings may differ for choices about different goods. For example, students sharing an apartment compose a single group in their housing decision but are likely to divide into smaller subgroups for choices about food and clothing. Furthermore, available data generally include no information about consumer units. More commonly, they report household and family relationships; analysts must infer how individuals combine to make decisions about consumption.

Analysts of the distribution of taxes confront four principal kinds of units: individuals, tax units, families, and households. The first possibility—individuals—is readily dismissed with the observation that many people, particularly children and the elderly, rely on others to provide for their needs. Assessing their economic position solely on the basis of their own resources would inaccurately consign them

to the bottom of the income distribution, regardless of their actual consumption. Similarly, because they often exclude people who share consumption, tax units—individuals or couples filing tax returns plus their tax dependents—fail to encompass larger units that are more meaningful in terms of economic position. For example, grown children residing with their parents are separate tax units, even though they may share resources with their parents. Tax units, of course, are appropriate for analyses that focus more narrowly on taxes.

Choosing between families and households is harder. Families—people living together who are related by blood, marriage, or adoption—frequently constitute single units for most decisions about consumption. The prototypical case of a married couple with children fits that description most completely. Such families combine the incomes of the two parents to provide for the entire unit. At the same time, extended families combine subfamilies that may share only housing expenses and make other decisions about consumption as subfamily units.

A household—all of the people living in a single housing unit—is usually also a family; nevertheless, a small but growing fraction of arrangements involve unrelated people sharing a house or apartment. Such nonfamily households form a single unit for their consumption of housing, but, like extended families, they may divide into smaller groups for other consumption choices. Many nonfamily households consist of unmarried couples, with or without children, whose consumption decisions differ little from those of married couples. To separate such households into smaller consumer units to assess their income would misrepresent their relative economic positions.

Focusing on families thus incurs two kinds of mistakes: it combines subfamilies that act independently in their decisions about what to consume, and it separates nonfamily groups that act together. In contrast, using households inaccurately combines groups that act independently (both subfamilies and unrelated subgroups) but correctly counts as a single unit households composed of unrelated groups that combine resources to finance consumption. Over 90 percent of all households consist of a single family; because the household and the family are identical, the

choice of unit does not matter. Using either alternative corrects mistakes that the other makes but introduces new errors. Data limitations preclude knowing which approach misclassifies fewer units, so either choice is to some degree arbitrary. Because all members of every household make a combined decision about the housing they “consume,” households are the unit used in the principal analysis of this study.¹

The Definition of Income

People typically think of their income as the cash they receive either as pay for working, as returns on their investments (in the form of interest, dividends, rents, and capital gains), or as payments from the government or retirement accounts. Economists think of income in broader terms, adding in the value of in-kind benefits such as health insurance, food stamps, and housing assistance; income and payroll tax payments made by others that effectively reduce a person’s earnings or return on investment; and the value of services gotten from durable goods such as owner-occupied housing. In its most broadly construed but most difficult to measure form, income equals the sum of consumption of all kinds, including leisure, plus the change in wealth over the measurement period.²

Tax-Based Measures of Income

The federal individual income tax defines at least three different measures of income. *Cash income* before adjustments consists roughly of all cash in-

-
1. In contrast to the approach used by the Congressional Budget Office, the Office of Tax Analysis in the Department of the Treasury uses families as its unit of analysis, and the Joint Committee on Taxation focuses on tax units. The Bureau of the Census uses households as its primary unit but produces tables for both families and households. As Chapter 3 demonstrates, however, the choice of unit has little effect on observed trends in effective tax rates or incomes.
 2. The Treasury’s Office of Tax Analysis and the Joint Committee on Taxation use measures of income that differ from those used in this analysis. Differences among the methods used by the three offices cause little qualitative variation in the measured distribution of taxes (see Appendix C [not provided in this version of the study]).

come potentially subject to tax. Subtracting various exclusions from that value yields *adjusted gross income*, or AGI. *Taxable income* equals AGI minus any applicable personal exemptions and deductions.

Even cash income, the most expansive of those measures, excludes cash income from many sources, including most Social Security benefits, all means-tested cash payments from the government, and tax-exempt interest. At the same time, however, the narrowest measure—taxable income—is the basis for determining how much taxpayers must pay in income taxes. None of the three measures provides a full assessment of a household's economic status.

Cash Income Not Subject to Tax

Expanding the tax-based measures to include all cash income gives a more complete picture of a household's resources. That expansion includes adding all cash transfers such as Social Security benefits, Supplemental Security Income payments, and grants from the Temporary Assistance for Needy Families program. Information on the receipt of such tax-exempt payments does not appear on tax returns and must therefore come either from administrative data for individual programs, which often lack demographic detail, or from survey instruments such as the Current Population Survey, which are almost certainly less accurate than tax returns. As a result, broadening the income measure risks misstating household incomes, in terms of which households receive payments and the size of those payments. Nonetheless, the various transfer payments can substantially affect household resources, particularly at the lower end of the income distribution, and their omission threatens the validity of any distributional analysis.

Retirement Funds

Contributions to and withdrawals from retirement funds pose a particularly difficult problem. On the one hand, if workers voluntarily choose to put part of their pretax earnings into accounts held for retirement, the contributions represent income when they are earned. Workers could use the funds to finance current consumption but instead elect to put them

away for their later years. On the other hand, money withdrawn from the funds during retirement provides a significant share of resources for older taxpayers. Ignoring those withdrawals in assessing income could vastly underestimate the resources available to senior citizens and yield an inaccurate measure of effective tax rates.³

In the face of conflicting arguments about when to count retirement funds as income, the Congressional Budget Office (CBO) includes in its income measure both voluntary contributions to individual retirement accounts and 401(k) accounts and withdrawals from those and other accounts during retirement.⁴ Although that approach clearly double-counts contributions over a lifetime, omitting either of the measures would underestimate the resources available to workers or retirees.⁵

If data were available to analyze tax liabilities and incomes on a lifetime rather than an annual basis, the resources would be counted only once and the question of when to include them as income would not arise. (Annual versus lifetime accounting is discussed further in a later section.) In the absence of the data required for lifetime analysis, however, including both contributions to and withdrawals from retirement accounts recognizes the effect of both measures on a household's income.

Taxes Paid by Businesses

Another component of household income consists of taxes paid by businesses, both corporate income taxes and payroll taxes. A firm's income tax liability ultimately falls not on the firm but on individuals—on stockholders in the form of lower dividend payments or smaller capital gains, on workers in the form of

-
3. Ignoring assets also understates available resources. The lack of appropriate data, however, precludes taking assets into account.
 4. Note that only employees' contributions to retirement plans count as income for workers; employers' contributions to both defined benefit and defined contribution plans are excluded. The Treasury's Office of Tax Analysis follows a similar approach.
 5. Only the contributions are counted twice; any accrued earnings in the account are treated as income and are taxed only when withdrawn. The earnings are not available to account owners during the accrual period.

lower compensation, or on customers in the form of higher prices. Although economists disagree about the actual incidence of corporate income taxes, the general consensus holds that the entire burden falls on the owners of capital as a group.⁶ Following that consensus requires assigning corporate taxes—as both a tax liability and income—to the owners of capital in proportion to their capital income.

Economists are in greater agreement that workers bear the full incidence of payroll taxes, the taxes that pay for Social Security, Medicare, and unemployment insurance.⁷ Employers pass on their share of those taxes to workers in the form of wages or benefits that are lower than those they would pay in the absence of the tax. Accurate measures of income and taxes should consequently include payroll tax payments made by employers, allotted to workers in proportion to the payroll taxes they pay themselves.⁸

Income Received in Kind

Many transfer payments and a significant share of the compensation paid to workers come not in cash but rather in kind. The government gives food stamps, housing and energy assistance, Medicare and Medicaid benefits, and school breakfasts and lunches in the form of either goods or services.⁹ Although economists agree that recipients would prefer to receive cash equal to the cost of in-kind benefits, the govern-

ment provides benefits in kind to help ensure that beneficiaries consume the intended goods or services. In the workplace, some employers pay health and life insurance premiums for their workers and provide educational assistance, cars, housing, meals, and free or subsidized child care. Such in-kind compensation may be designed to take advantage of the beneficial way that the tax code treats particular forms of non-cash payments, to attract workers who place especially high value on such benefits, or to enable workers to perform better in their jobs.

Regardless of the motivation behind them, transfers and compensation provided in kind constitute income for recipients and enhance their economic position. But valuing those benefits is difficult. Recipients place a higher value on a cash payment equal to the cost of an in-kind benefit than on the benefit itself, simply because the cash allows them the choice of obtaining the in-kind benefit on their own or consuming a preferred alternative that costs no more. The cost of the in-kind payment is thus an upper bound on the value of the benefit. That value, however, could be much lower, particularly for low-income recipients whose consumption is tightly constrained by their lack of resources. In the extreme, the recipient's value for an in-kind benefit is zero; that situation occurs when he or she would not purchase the benefit at any price after getting its cost in cash. In general, however, recipients value in-kind benefits somewhere between the two extremes.

The Bureau of the Census has developed measures to estimate the value to recipients of benefits received in kind.¹⁰ Some benefits are assessed at market value—the costs recipients would incur if they bought the goods themselves. The value assigned to food stamps, for example, equals their face value, and school meals are counted at the subsidy cost borne by the government.

That approach poses problems in the case of health benefits provided through the Medicare and Medicaid programs. For many recipients, the average cost, or insurance value, of benefits is high rela-

6. See, for example, Jane G. Gravelle and Kent Smetters, *Who Bears the Burden of the Corporate Tax (and Why)?: The Open Economy Case*, Technical Paper 1998-1 (August 1998), available from CBO's Tax Analysis Division or at www.cbo.gov/tech.html. The Office of Tax Analysis at the Department of the Treasury assumes that the full burden of the corporate income tax falls on owners of capital. The Joint Committee on Taxation has recently discontinued measuring the distribution of the tax because of uncertainty about its incidence. See Julie-Anne Cronin, *U.S. Treasury Distributional Analysis Methodology*, Working Paper 85 (U.S. Treasury, Office of Tax Analysis, September 1999), pp. 25-26.

7. See, for example, Daniel S. Hamermesh, *Labor Demand* (Princeton, N.J.: Princeton University Press, 1993), especially pp. 172-173.

8. Both the Treasury's Office of Tax Analysis and the Joint Committee on Taxation use the same assumption—that workers bear the full burden of payroll taxes (see Appendix C [not provided in this version of the study]).

9. Government spending finances a broad range of activities that benefit households. However, consideration of the full range of that spending is beyond the scope of this study.

10. A full description of the methods used to value noncash benefits is provided in Appendix B of Bureau of the Census, *Measuring the Effect of Benefits and Taxes on Income and Poverty: 1992*, Current Population Reports, Series P60, No. 186RD (September 1993), pp. viii-ix and B-1 to B-5.

tive to income. Given a choice between health services and other consumption, those beneficiaries would probably not spend the full insurance value on health but instead split their consumption among a range of goods and services. That observation implies that the value of health benefits to recipients is less than the insurance value—that is, the average cost to the government of providing the benefits. How much less, however, is impossible to determine without knowing the preferences of individual recipients.

The solution provided by the Bureau of the Census and used in this study is to count the fungible value of the benefits. That value equals the amount of resources freed up for other uses by the health care services provided, up to the insurance value of those services.¹¹ For example, suppose a household not receiving food stamps spends \$400 a month on food. If the household started getting \$500 a month in food stamps, the \$400 previously spent on food would be available for other uses. The Census Bureau's fungible value for the food stamps would equal \$400, \$100 less than the value of the food stamps received. If the household instead received only \$300 in food stamps, the fungible value would be \$300, because the household could use food stamps and cash to buy the same \$400 worth of food and use the freed-up \$300 to purchase other goods or services.

The fungible value of a benefit received in kind thus depends not only on the market or insurance value of the benefit but also on the income of the recipient's household. Low-income households that would spend nothing on health care in the absence of subsidized programs, for example, would have a fungible value for health care benefits equal to zero. At the other end of the scale, the value to high-income households would equal the full insurance value.

CBO counts the health insurance premiums paid by employers as income. Firms offer health plans to their workers in place of cash wages presumably because they feel workers value health benefits more

than the forgone earnings.¹² In turn, because they could work elsewhere, employees of firms with health plans demonstrate that they do, in fact, consider the health benefits to be worth at least as much as the additional wages they could get for comparable jobs at companies not offering health plans. Excluding the value of those benefits would understate household income and misrepresent significant differences in income between workers with and without employer-sponsored health plans.

Imputed Income for Services

Many households consume services for which they are not charged directly and which therefore constitute income. Durable goods such as owner-occupied housing, motor vehicles, and household appliances provide specific services over their useful lifetime. Financial institutions offer a wide range of “free” services such as checking accounts that users pay for by getting lower returns on their invested assets than they would if firms charged for all services. From an economic standpoint, all such services constitute income, although part or all of that income could be offset by other costs associated with the services.¹³ Because information on both the consumption of the services and their value cannot be readily obtained, CBO omits imputed income from services in the income measure used in this analysis.

Unrealized Capital Gains

An increase in the value of an asset represents income to the owner of the asset. The federal tax system taxes such capital gains only when the owner sells the asset and realizes the gain, in part because valuing unrealized gains is difficult and in part because taxpayers may lack funds to pay taxes on the higher value of assets they have not sold. The lack of

11. A detailed discussion of fungible value may be found in Bureau of the Census, *Measuring the Effect of Benefits and Taxes*, p. viii.

12. Firms may have the additional advantage of obtaining health insurance for their workers at the reduced rates available only for group coverage, an added incentive to offer the benefit.

13. Owner-occupied housing is perhaps the most significant form of imputed income. The Office of Tax Analysis estimates that it amounts to approximately 0.5 percent of total household income. See Cronin, *U.S. Treasury Distributional Analysis Methodology*, p. 11.

information about the value of assets precludes making unrealized gains part of measured income, and the income measure used in this study excludes them. CBO does, however, include in its measure of household income realized capital gains reported on individual income tax returns, but it does not adjust those gains for inflation because of limitations in the data.¹⁴

Adjusting Income for Differences Among Households

Households with identical incomes may differ in other ways that bear on their economic status. Ranking households by levels of equivalent resources requires adjusting income to account for differences such as household size.

Household Size

Two cannot live as cheaply as one. Put less succinctly, larger households need more income to finance consumption and savings than smaller households do. At the same time, economies of scale in at least some consumption—housing, in particular—mean that two people do not need twice the income to live as well as an individual living alone. In other words, per capita income (total household income divided by household size) ignores the benefits of shared consumption. An adjusted income falling somewhere between household and per capita incomes is likely to offer a better means of ranking households.

CBO has previously used the equivalence scales implicit in the poverty thresholds used by the Bureau of the Census to determine the poverty status of fami-

lies and individuals. Those thresholds exhibit significant irregularities as the size of families increases, suggesting that a second person adds 28 percent to the needs of a single person and a third person adds a similar amount, but a fourth person raises costs by 44 percent of the cost of an individual. Furthermore, the poverty thresholds do not change at all once a family's size exceeds nine people. An alternative and more regular adjustment suggested in previous studies in the literature increases the needs of a household in proportion to the square root of the household's size.¹⁵ That adjustment implies that each additional person increases a household's needs but at a decreasing rate. Analysis covering the 1980-1995 period shows that the choice among a range of adjustments for the size of families affects the measured levels of income and effective tax rates but has little effect on observed trends.¹⁶ The main results reported in this study use the square root of household size to adjust for the different needs of households.

The family-size adjustment used to construct the tables in this analysis is employed for ranking purposes only—that is, it is used only to assign households to percentile groupings and not for other calculations. The incomes reported in the tables represent total household income; they are not adjusted in any way to reflect a family's size. As a result, two households with very different incomes may be grouped together because the higher-earning household is larger. All of the income averages calculated for the study derive from unadjusted measures of reported income with equal weights for all households (or families, where those units are used), regardless of size.

Other Adjustments

It may also be desirable to adjust the incomes of households for other differences in their circumstances that affect their economic positions. For ex-

14. An alternative approach, used by the Office of Tax Analysis (OTA), would use retained corporate earnings as the basis for measuring accrued capital gains in the corporate sector. OTA assumes that real capital gains derive entirely from retained earnings. Its measure of income thus allocates retained earnings to households (with adjustments for accelerated tax-cost recovery and inflation) and subtracts realized capital gains. See Cronin, *U.S. Treasury Distributional Analysis Methodology*, p. 10. Data limitations led CBO to reject that approach.

15. See, for example, Patricia Ruggles, *Drawing the Line: Alternative Poverty Measures and Their Implications for Public Policy* (Washington, D.C.: Urban Institute Press, 1990), pp. 75-78.

16. Robertson Williams, David Weiner, and Frank Sammartino, *Equivalence Scales, the Income Distribution, and Federal Taxes*, Technical Paper 1999-2 (October 1998), available from CBO's Tax Analysis Division or at www.cbo.gov/tech.html.

ample, the prices of goods and services vary among locations, and households can incur quite different costs associated with working, depending on how many members are employed, the costs of commuting, child care expenses, and other costs. However, data that would allow analysts to adjust incomes for differences in prices and in the costs of working are unavailable.

Assumptions About the Incidence of Federal Taxes

Essential to measuring the distribution of federal taxes are assumptions about the incidence of those levies.¹⁷ The people or businesses that remit tax payments to the government may not bear the actual burden of the taxes they pay but instead pass that burden on to others. Although economists do not universally agree on the ultimate incidence of specific taxes, CBO follows consensus views in allocating taxes among households. Furthermore, to the extent that taxes paid by businesses result in lower incomes for households, imputing those taxes to the households that bear their burden requires adding those tax liabilities not only to the taxes of households but also to the incomes those families receive.

Individual Income Taxes and Payroll Taxes

Workers bear the full cost of taxes imposed on their income deriving from wages and salaries. Firms trying to maximize their profits pay workers only as much as necessary to attract those with required skills, up to the point where additional workers cost more than their value to the firm. That workers incur taxes on that pay does not affect the total compensa-

tion firms will offer.¹⁸ Thus, employees bear the full individual income tax on their earnings as well as their and their employers' share of payroll taxes. That assumption, accepted by virtually all economists, implies that in the absence of payroll taxes, compensation to workers would increase by the full amount of the payroll taxes paid by employers.

Corporate Income Taxes

Less agreement exists on the incidence of corporate income taxes. Firms pay the tax on their net profits according to a schedule of four rates that reaches 35 percent for annual taxable income over \$10 million. Ultimately, however, that tax is borne by households, either as higher prices for the goods they buy or lower income from work or investments. Economists disagree on whether people bear the tax as shareholders in corporations, owners of all capital assets, employees, or consumers. Nonetheless, a survey of the economics literature on the issue indicates a dominant view that the corporate income tax reduces the return to all capital, and thus the burden of the tax falls on all owners of capital assets. Accordingly, CBO allocates corporate income taxes as both income and tax liabilities to households in proportion to their income from interest, dividends, rents, and capital gains.

Excise Taxes

The government collects excise taxes on a narrow range of goods and services, some of which are inputs to the production of final products and some of which are purchased directly by consumers. CBO assumes that excise taxes on goods and services sold directly to consumers are borne by those consumers in proportion to their purchases of the taxed items. Excise taxes on intermediate products and services are allocated among all consumers in proportion to their total consumption.

17. This study focuses on the four major federal taxes: individual income, corporate income, social insurance, and excise. It excludes estate and gift taxes and customs duties, primarily because of data limitations. The omitted taxes make up less than 10 percent of all federal revenues.

18. Taxes may, however, affect the form of compensation offered. Workers may prefer noncash benefits that are exempt from tax in place of taxable cash wages.

The Time Period

Over the course of their lives, people experience wide variations in the annual income they receive and consequently in the taxes they pay. Part of the variation in income comes from changes in earnings over the life cycle: low earnings during early years in the job market, rising earnings through middle age, and the shift from labor earnings to pensions and investment earnings in retirement. Another part of the variation comes from periods of unemployment that temporarily depress income. And part of it results from irregular receipt of income, particularly capital gains or losses from the sale of investment assets.

The individual income tax takes little account of variations in income over the years and may therefore impose a tax burden across a person's life that correlates poorly with a lifetime concept of economic resources. Many economists view lifetime measures of income and taxes as the best approach to assessing the distributional effects of the federal tax system. Furthermore, using a lifetime accounting period eliminates the problem of when to count particular forms of income. For example, funds in retirement accounts could be counted as compensation during the year they are contributed by workers or employers; alternatively, those funds could be included in income when they are withdrawn during retirement.

Panel data on taxpayers show the importance of considering income over periods longer than one year. The Department of the Treasury has constructed longitudinal files for a random sample of taxpayers over periods as long as 10 years, which have been used to examine the year-to-year variation in income for individuals. Those data indicate that there is significant movement of taxpayers within the income distribution but that year-to-year shifts tend to be small. For example, over the 1979-1988 period, roughly half of all taxpayers who were ever in the top 1 percent of all families were in that percentile for only one year. At the same time, virtually none of those who ever appeared in the top 1 percent were ever below the top 10 percent of taxpayers ranked by annual income.

Available 10-year longitudinal files provide only limited information about taxpayers' income

and tax liabilities over time. The data required for complete lifetime assessments of the incidence of taxes simply do not exist. As more longitudinal data covering longer periods become available, economists will be better able to analyze lifetime income and taxes. In the absence of those data, distributional analyses must focus on shorter periods.

Because federal income taxes use a one-year accounting period—and because lifetime data do not exist—CBO's analyses of effective tax rates focus on annual incomes and tax liabilities. That approach has two significant limitations. First, the year-to-year variation in incomes means that a household's distributional rank may not accurately represent its command of economic resources. A household's patterns of consumption derive less from current income than from the normal, or permanent, income the household expects to have over time. People rely on savings or borrowing to tide themselves over periods of unemployment, for example.

A second, and related, limitation is that some forms of income come irregularly, particularly capital gains from the sale of a business, of shares of stock, or of another asset. A business owner who sells his firm, for example, will appear wealthy in the year of the sale because of the large capital gain realized at that time, even though the increase in the firm's value had accrued over a much longer period. Placing that person near the top of the income distribution in the year of the sale and at a much lower rank in other years misstates his economic status in all years, overstating it in one and understating it in all others. Yet in the absence of lifetime income data, it is impossible to apportion the capital gains realized in a single year over multiple years. Analysts must choose between counting the gain as income when realized or allotting only part or none of it to current income. Extensive examination of tax data on the sales of capital assets indicates that apportioning gains across years based on a single year's realizations would lead to significant error.¹⁹ CBO thus counts all capital gains as income when realized.

19. See Congressional Budget Office, *Perspectives on the Ownership of Capital Assets and the Realization of Capital Gains*, CBO Paper (May 1997).

The Effects of Applying Alternative Methods

The choices that are made among the methodological alternatives discussed in Chapter 2 affect the distribution of households by income. Including more sources of income moves households with income from those sources up the distribution. Adjusting income for the size of households puts smaller ones higher in the distribution and larger ones lower. In that reranking process, households carry with them the dollar values of both their incomes and the taxes they pay. As a result, distributional rankings affect the average values of those variables calculated for each quintile. Understanding the impact of alternative methodological choices is therefore essential to assessing the meaning of tax and income measures.

Alternative Income Rankings

The alternative rankings examined here reflect choices along three of the five dimensions discussed in Chapter 2:

- o Households versus families as the unit of analysis;
- o Alternative measures of income; and
- o Unadjusted income versus income adjusted for household size.

The analysis does not examine alternatives using different time periods or different assumptions about the incidence of taxes.¹

Factors Affecting Income Rankings

In most cases, households and families are identical. Only when people not related by blood, marriage, or adoption live together in a single housing unit do households comprise more than one family. In 1979, households on average contained 1.06 families, indicating that nearly all households had only one family; no more than 6 percent were multifamily households (see Table 3-1 on page 45).² Virtually all of those multifamily households contained no children or elderly members. By 1997, the average number of families per household had risen to 1.10, and again, multifamily households were most likely to be childless and nonelderly. Using households rather than families as the unit of analysis thus tends to join nonelderly childless individuals and couples, combin-

1. The data required to examine periods longer than one year do not exist. Previous work by the Congressional Budget Office used alternative assumptions about the incidence of the corporate income tax. (See, for example, *The Changing Distribution of Federal Taxes: 1975-1990*, published in October 1987.) In more recent analyses, CBO has assumed that the tax falls entirely on capital.

2. The Bureau of the Census defines people who are not living with relatives as unrelated individuals, whether they live alone or with others. The statistics cited in this paragraph count unrelated individuals as one-person families. Therefore, in this analysis, people living alone are considered both a family and a household.

ing their incomes and moving them up the income distribution. By averaging the same total income over fewer units, combining families into households yields measures of average household income that are greater than measures of average family income.

Broader measures of income reorder the income distribution on the basis of which households receive income from the sources that have been included. Relative to cash income, the narrowest measure, adding taxes paid by businesses—corporate income taxes and the employer’s share of payroll taxes—raises total income by between 6.1 percent and 9.7 percent over the 1979-1997 period (see Table 3-2). Including nonhealth benefits received in kind has a smaller effect since those benefits make up less than 1 percent of cash income in any year. Most nonhealth in-kind benefits are means-tested, going only to households at the bottom of the income distribution. Including them as income is likely to have the greatest effect on low-income households.

Health benefits—principally Medicare, Medicaid, and employer-paid health insurance premiums—represent a larger fraction of cash income, rising from 4.7 percent in 1979 to 6.6 percent in 1997. Households throughout the income distribution get health benefits, and the impact of including them in income is difficult to predict. Regardless of which particular households receive income from the additional sources, including it increases average household or family income above the comparable measure that uses cash income only.

Adjusting income to account for differences in the size of households shifts larger households down the income distribution and smaller households up it. As noted in Chapter 2, adjusted household income is used only to assign households to income percentiles; the values reported for average household income are not adjusted. Because households thus carry their unadjusted incomes with them when they are assigned to quintiles, larger households will have larger incomes than smaller households in the same quintile. Measures of income for each quintile thus depend on the numbers of households of different sizes. Furthermore, demographic changes over time that affect the distribution of household sizes will influence the levels of income in each quintile.

Income Rankings

Alternative choices for the three dimensions considered—unit of analysis, measure of income, and whether to adjust for differences between units—can generate a large number of different rankings. This analysis compares eight possibilities, ranging from unadjusted family cash income to a broader measure of household income adjusted for household size and, to allow comparison with previous work by the Congressional Budget Office, the adjusted measure of family income that CBO has employed over the past 13 years. The eight alternatives are as follows:

1. *Family cash income* includes only cash receipts—wages and salaries, self-employment income, rental income, interest and dividends, realized capital gains, and cash transfer payments. The family is the primary unit of analysis, and no adjustment is made for a family’s size.
2. *Household cash income* is the same as family cash income except that the unit of analysis is the household, not the family.
3. *Household cash income plus business taxes and 401(k) contributions* expands household cash income by adding each household’s imputed share of corporate income and the employer’s share of payroll taxes as well as imputed contributions to 401(k) retirement plans.
4. *Household cash income plus nonhealth in-kind benefits* further expands income to include the value of food stamps, school lunches and breakfasts, housing assistance, and energy assistance.
5. *Comprehensive household income* adds the value of employer-paid health insurance premiums and Medicare and Medicaid health insurance to the previous measure of income.
6. *Comprehensive household income adjusted on the basis of poverty thresholds* divides comprehensive household income by the federal poverty threshold for each household’s size.
7. *Comprehensive household income adjusted on the basis of household size* adjusts comprehensive household income to account for differ-

ences in a household's size by dividing by the square root of the number of household members. This measure provides the foundation for the analysis presented in Chapter 1 and, in CBO's view, is the best measure of income available, given the limitations of current data.

8. *CBO's historical income measure* equals household cash income plus business taxes divided by the federal poverty threshold appropriate for the family's size. Imputed contributions to 401(k) retirement plans are not included.

The Effects of Using Alternative Income Measures

The choice of an income measure affects the ordering of households or families in the income distribution and consequently affects estimates of effective tax rates and pretax and after-tax incomes for different percentiles of that distribution. In addition, broader measures of income yield larger estimates of income, simply because they incorporate income from more sources. Broader measures also lead to lower estimates of effective tax rates because those rates equal tax liabilities that are unchanged but that are divided by higher incomes. Understanding the effects of using a particular measure of income requires examining both the degree of movement of families among income percentiles and differences in estimated effective tax rates and income under alternative measures.

The Movement of Families Among Income Quintiles

Changing from one measure of income to another moves families up or down the income distribution. Examining the movement of families among income quintiles shows how big an effect changing measures has on the composition of each quintile. In general, using households rather than families as the unit of analysis and adjusting income for differences in the size of the unit shifts more families into different quintiles than does broadening measures of income to include more sources.

Changing from the family to the household as the unit of analysis combines family incomes in multifamily households, which moves families in those units up the distribution and consequently moves other families down. That change shifted about one-quarter of families into different income quintiles in 1997, with slightly more moving down than moving up (see Table 3-3). The effect is greatest for nonelderly childless families—nearly 30 percent shifted quintiles in 1997—because those families are more likely to live in multifamily households. Somewhat over half of nonelderly childless families shifting quintiles moved upward. Conversely, more than two-thirds of the roughly 20 percent of elderly families moving across quintile lines were pushed downward as other families moved ahead of them. About one-fourth of families with children would have been located in different quintiles under household rather than family ranking, with 60 percent moving downward.

Expanding the definition of income to include taxes paid by businesses, contributions to 401(k) retirement plans, and the value of benefits received in kind moved less than 10 percent of families into different quintiles in 1997 (see Table 3-3). The impact of counting more income was greatest for elderly families, for whom health benefits—principally from Medicare—raised income enough to move nearly one-tenth of families into higher quintiles.

Adjusting household income to account for differences in the size of households moved nearly 40 percent of families into different income quintiles in 1997, with nearly three-fourths of those shifting up the distribution (see Table 3-3).³ As expected, the adjustment tended to move families with children into lower quintiles: nearly 90 percent of families that shifted quintiles moved down. Families with children are generally larger than childless families, so adjusting for family size drops their incomes more than the incomes of smaller families. In contrast, virtually all of the nearly half of families without

3. The cited movements occur when the adjustment involves dividing household income by the square root of the number of household members. Using the federal poverty thresholds as the basis for adjustment would have shifted nearly half of all households into different quintiles. Upward movements would again predominate over downward shifts.

children who shifted quintiles ended up in higher quintiles as defined by adjusted income.

Examining the effects of CBO's change from its historical measure of adjusted family income to the measure of adjusted household income used in the current study provides a basis for comparing effective tax rates and incomes presented in CBO's earlier publications with the new statistical series discussed in Chapter 1. Changing the measure of income shifted about one-quarter of families into different quintiles in 1997, with slightly fewer families moving up the distribution than moving down (see Tables 3-3 and 3-4). Elderly families were least affected by the change in methods: 14 percent moved into new quintiles, with two-thirds of them moving into higher quintiles. Nonelderly childless families were most likely to move, and about three families went into lower quintiles for every two that rose to higher groups. Nearly all movement took place between adjacent categories: among all families, just 4 percent shifted up two or more quintiles and none fell more than one quintile.

The Distribution of People, Families, and Households

As noted earlier, quintiles of the income distribution contain equal numbers of people, ranked by a specific measure of income. For the basic tabulations presented in Chapter 1, that measure is comprehensive adjusted household income. Equal numbers of people per quintile does not mean equal numbers of families or households, however, nor does it mean an even distribution of people among quintiles for different types of households. Two offsetting factors affect the distribution of people, families, and households into quintiles. On the one hand, combining individual incomes into household incomes tends to move people in larger households up the distribution, all else being the same. On the other hand, adjusting incomes to account for differences in the size of households shifts larger ones—and the people in them—into lower quintiles. Only the actual distributions can reveal which effect dominates.

When ranked by comprehensive adjusted household income, people in households with children are overrepresented in the lower quintiles, in large part

because of the adjustment for household size (see Table 3-5). In contrast, more households with elderly members end up in lower quintiles even after the adjustment, which tends to move them up the distribution; on average, elderly households simply have lower unadjusted income than other households. People in nonelderly childless households are more likely to appear at the top end of the distribution, in part because they have higher incomes than other households and in part because their households are generally smaller than households with children.

The distributions among quintiles of people, families, and households living with children differ little, in part because families and households with children are almost always the same and in part because the average size of families with children varies little among quintiles. In contrast, people in elderly households and elderly families are distributed nearly equally among quintiles, but elderly households are more heavily represented in the lower quintiles. That difference arises primarily because combining families into households moves nonelderly childless units up the distribution, displacing elderly households downward. Among units with no children or elderly members, families in the upper quintiles are larger than those in lower quintiles, yielding a more uneven distribution of people among quintiles than of either families or households.

Effective Tax Rates and Income Under Alternative Income Measures

The measure of income used to rank households affects estimates of both effective tax rates and income. Nevertheless, general trends in those measures differ little under the alternative measures CBO examined.

Effective Tax Rates

The choice of income measure affects estimates of effective tax rates in two ways. First, measures that include income from relatively more sources raise incomes and thus reduce effective tax rates—that is,

taxes as a percentage of pretax income. Second, alternative measures of income distribute households differently among quintiles, leading to different estimates for a given quintile of both effective tax rates and income. Over the 1979-1997 period, choosing from among the eight alternative measures of income yields different estimates of tax rates and income but has little effect on observed trends of those variables.

The choice of income measure has little effect on the observed trend in the effective federal tax rate between 1979 and 1997 (see Figure 3-1).⁴ Under each measure that the figure shows, the rate falls in the early 1980s following the Economic Recovery Tax Act of 1981, rises irregularly until 1995, and dips slightly in 1997. The effective rate is essentially the same in 1997 as it was in 1979, regardless of the measure of income used to rank households.

The similarity of trends in effective tax rates extends across income quintiles for all measures of income except the ones that adjust for differences in a household's size (see Figure 3-2).⁵ That adjustment moves households with children down the distribution and therefore concentrates taxpayers claiming the earned income tax credit in the lowest quintile. The effect of that concentration is a sharper downward trend in the effective tax rate for households in that quintile since 1985 than in the trends observed for other measures of income. That difference in trends does not occur for households in other quintiles.

The measure of income used to rank households has differential effects on estimated effective tax rates among quintiles. For households in the middle quintile, for example, the effective rate is substantially lower if households are ranked by adjusted comprehensive income rather than by unadjusted income. In contrast, for households in the highest quintile, adjusting income for the size of households has virtually no effect on effective tax rates during the past two decades.

Each of the four federal taxes that CBO examined shows the same trend in its overall effective rate between 1979 and 1997, regardless of the measure of income used (see Figure 3-3).⁶ That similarity of trends does not hold, however, for individual income quintiles, particularly the lowest one.

For households in the lowest income quintile, the effective individual income tax rate drops much more sharply after 1985 under the adjusted household income measure than under the unadjusted alternatives (see Figure 3-4). That difference is the result of the adjustment to income for differences in the size of households, which moves households with children into lower quintiles and, as noted above, concentrates the benefits of the EITC in the lowest quintile. In contrast, effective individual income tax rates using alternative income measures move in parallel for the middle and highest quintiles. In fact, for the top quintile, using households rather than families as the unit of observation has essentially no effect on the change in measured tax rates, nor does adjusting incomes for differences in households' sizes. That stability results because high-income households generally contain only one family and tend not to change quintiles under the adjustment for household size.

Effective rates for social insurance, corporate income, and excise taxes follow roughly parallel trends over the 1979-1997 period under all of the measures of income CBO examined (see Figures 3-5, 3-6, and 3-7, respectively). Rates of change differ among the measures for specific years, most obviously in the case of corporate income taxes for the lowest quintile (see Figure 3-6). Under that tax, the effective rate is constant after 1983 under the adjusted household income measure, even though the rate moves up and down when other measures of income are used. Apparent variation in trends for other sources of revenues, particularly excise taxes, show up only because rounding effective rates magnifies small changes.

4. Table K-1 in Appendix K (not provided in this version of the study) shows effective federal tax rates by income quintile for all eight measures of income.

5. Table K-1 (not provided in this version of the study) shows effective federal tax rates by income quintile for all eight measures of income.

6. Tables K-2, K-3, K-4, and K-5 (not provided in this version of the study) show effective individual income, social insurance, corporate income, and excise tax rates, respectively, by income quintile for all eight measures of income.

Levels of Income

Using measures of income that combine families into households or that include income from more sources leads tautologically to higher estimates of pretax income (see Figure 3-8).⁷ Obviously, counting more income can only increase the estimates. Over the past two decades, more families per household and higher noncash incomes have resulted in slightly larger differences among estimates of pretax income under alternative income measures.

The same pattern of parallel trends in income under alternative measures holds for each income

quintile (see Figure 3-9). As the adjustment for household size moves larger households into lower quintiles, they carry with them unadjusted incomes that are higher than those of the households they displace. If every household moving into a lower quintile pushed exactly one household into a higher quintile, that movement would increase average income for the lower quintiles. However, larger households moving down displace more than one smaller household, and average income for even the lowest quintile falls when incomes are adjusted for household size. Note that the multiple smaller households pushed into higher quintiles by larger households moving down doubly affect average income: first, by carrying with them their lower incomes and second, by more than one of them replacing the single larger household that moved down.

7. Tables K-6 and K-7 (not included in this version of the study) show average pretax and after-tax income, respectively, under alternative measures of income for each income quintile.

Table 3-1.
Household Characteristics by Household Type, 1979-1997

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997
All Households										
Millions of People	222.3	226.8	229.9	236.1	241.0	245.6	250.0	255.9	257.5	264.3
Millions of Families	86.1	89.3	91.8	95.7	98.7	102.1	104.7	107.2	109.1	112.9
Millions of Households	81.4	84.2	86.2	89.5	92.0	94.6	96.7	98.2	99.7	102.9
Average Family Size	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.3
Average Household Size	2.7	2.7	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Ratio of Families to Households	1.06	1.06	1.06	1.07	1.07	1.08	1.08	1.09	1.09	1.10
Households with Children										
Millions of People	136.2	135.6	134.6	137.5	138.9	140.4	142.7	149.3	149.0	151.9
Millions of Families	32.7	33.0	33.2	34.1	34.5	34.8	35.5	37.1	37.0	37.9
Millions of Households	32.4	32.6	32.7	33.6	34.0	34.2	34.8	36.3	36.2	36.9
Average Family Size	4.2	4.1	4.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Average Household Size	4.2	4.2	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Ratio of Families to Households	1.01	1.01	1.02	1.01	1.01	1.02	1.02	1.02	1.02	1.03
Elderly Households										
Millions of People	27.2	28.4	29.6	30.8	32.2	33.1	34.2	34.1	34.7	35.2
Millions of Families	16.7	17.5	18.2	18.9	19.8	20.5	21.2	21.0	21.8	21.9
Millions of Households	16.3	17.0	17.6	18.4	19.2	19.8	20.5	20.2	20.9	21.0
Average Family Size	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Average Household Size	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Ratio of Families to Households	1.02	1.03	1.03	1.03	1.03	1.04	1.03	1.04	1.04	1.04
Nonelderly Childless Households										
Millions of People	58.9	62.7	65.7	67.8	69.9	72.1	73.1	72.5	73.8	77.2
Millions of Families	36.7	38.8	40.5	42.7	44.5	46.8	48.0	49.1	50.3	53.1
Millions of Households	32.7	34.7	35.9	37.5	38.9	40.6	41.3	41.6	42.7	45.0
Average Family Size	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5
Average Household Size	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7
Ratio of Families to Households	1.12	1.12	1.13	1.14	1.14	1.15	1.16	1.18	1.18	1.18

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Families are people related by blood, marriage, or adoption who live together.

**Table 3-2.
Income Totals, 1979-1997**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997
Cash Income ^a (Billions of 1997 dollars)	3,498	3,540	3,669	4,066	4,298	4,597	4,529	4,613	4,843	5,521
Taxes Paid by Businesses ^b										
In billions of 1997 dollars	268	233	222	280	333	365	353	406	467	511
As a percentage of cash income	7.7	6.6	6.1	6.9	7.7	7.9	7.8	8.8	9.7	9.3
Nonhealth In-Kind Benefits ^c										
In billions of 1997 dollars	21	22	23	24	26	25	31	34	32	28
As a percentage of cash income	0.6	0.6	0.6	0.6	0.6	0.5	0.7	0.7	0.7	0.5
Health-Related In-Kind Benefits ^d										
In billions of 1997 dollars	163	159	179	196	232	258	270	329	368	362
As a percentage of cash income	4.7	4.5	4.9	4.8	5.4	5.6	6.0	7.1	7.6	6.6
Comprehensive Household Income ^e										
In billions of 1997 dollars	3,951	3,953	4,094	4,566	4,889	5,245	5,183	5,381	5,711	6,423
As a percentage of cash income	112.9	111.7	111.6	112.3	113.7	114.1	114.4	116.7	117.9	116.3

SOURCE: Congressional Budget Office.

- a. Cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.
- b. Taxes paid by businesses include corporate income taxes and the employer's share of social insurance taxes.
- c. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.
- d. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums.
- e. Comprehensive household income includes cash income plus taxes paid by businesses and in-kind benefits.

Table 3-3.
Percentages of Families Moving Among Quintiles, by Income Measure, 1997

Comparison ^a	No Quintile Change	Moving Up at Least One Quintile	Moving Down at Least One Quintile
All Families			
Family Cash Income Versus Household Cash Income	75	12	14
Household Cash Income Versus			
Cash plus taxes paid by businesses	97	2	2
Cash plus taxes paid by businesses and nonhealth in-kind benefits	95	2	3
Cash plus taxes paid by businesses and all in-kind benefits	91	4	5
Comprehensive Household Income Versus			
Comprehensive household income adjusted using federal poverty thresholds	53	35	13
Comprehensive household income adjusted for household size	61	29	10
CBO's historical income measure	77	10	13
Families with Children			
Family Cash Income Versus Household Cash Income	76	9	15
Household Cash Income Versus			
Cash plus taxes paid by businesses	97	1	1
Cash plus taxes paid by businesses and nonhealth in-kind benefits	95	3	2
Cash plus taxes paid by businesses and all in-kind benefits	91	4	5
Comprehensive Household Income Versus			
Comprehensive household income adjusted using federal poverty thresholds	64	8	29
Comprehensive household income adjusted for household size	73	3	24
CBO's historical income measure	78	9	13
Elderly Families			
Family Cash Income Versus Household Cash Income	79	6	15
Household Cash Income Versus			
Cash plus taxes paid by businesses	95	2	3
Cash plus taxes paid by businesses and nonhealth in-kind benefits	94	2	4
Cash plus taxes paid by businesses and all in-kind benefits	89	10	1
Comprehensive Household Income Versus			
Comprehensive household income adjusted using federal poverty thresholds	45	53	2
Comprehensive household income adjusted for household size	53	45	1
CBO's historical income measure	86	9	5

(Continued)

Table 3-3.
Continued

Comparison ^a	No Quintile Change	Moving Up at Least One Quintile	Moving Down at Least One Quintile
Nonelderly Childless Families			
Family Cash Income Versus Household Cash Income	72	16	13
Household Cash Income Versus			
Cash plus taxes paid by businesses	97	2	1
Cash plus taxes paid by businesses and nonhealth in-kind benefits	95	2	3
Cash plus taxes paid by businesses and all in-kind benefits	92	2	6
Comprehensive Household Income Versus			
Comprehensive household income adjusted using federal poverty thresholds	48	47	6
Comprehensive household income adjusted for household size	56	40	4
CBO's historical income measure	73	11	16

SOURCE: Congressional Budget Office.

NOTES: Quintiles, or fifths, of the income distribution contain equal numbers of people.

Families are people related by blood, marriage, or adoption who live together. A household consists of the people who share a housing unit, regardless of their relationships. A family with children has at least one member under age 18. An elderly family is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless family is one with no member under age 18 or over age 64.

In cases in which two or more families are combined into one household, each family's original quintile is compared with the combined household quintile. For example, if a second-quintile family joined with a fourth-quintile family to create a middle-quintile household, the first family would be counted as moving up one quintile and the second family as moving down one.

a. See the text for descriptions of the income measures.

Table 3-4.
Distribution of Families Under CBO's Historical Income Measure and the Adjusted Comprehensive Household Income Measure, by Income Quintile, 1997 (In percent)

Quintile Based on CBO's Historical Income Measure ^a	Quintile Based on Adjusted Comprehensive Household Income ^b					All Quintiles
	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	
All Families						
Lowest Quintile	18	2	1	*	*	22
Second Quintile	3	14	2	1	*	20
Middle Quintile	*	4	13	2	1	19
Fourth Quintile	*	*	4	14	1	19
Highest Quintile	0	*	*	2	18	20
All Quintiles	21	19	19	20	21	100
Families with Children						
Lowest Quintile	20	2	1	*	*	23
Second Quintile	4	16	2	1	*	22
Middle Quintile	0	4	15	2	*	21
Fourth Quintile	*	*	3	15	1	19
Highest Quintile	0	0	0	2	13	14
All Quintiles	24	22	21	19	15	100
Elderly Families						
Lowest Quintile	20	2	*	*	*	22
Second Quintile	1	19	3	*	*	24
Middle Quintile	0	1	16	2	*	19
Fourth Quintile	0	a	1	14	1	16
Highest Quintile	0	0	*	1	17	18
All Quintiles	21	22	21	18	19	100
Nonelderly Childless Families						
Lowest Quintile	16	2	1	1	1	20
Second Quintile	3	10	1	1	1	16
Middle Quintile	*	5	11	2	1	18
Fourth Quintile	*	*	4	14	2	20
Highest Quintile	0	*	*	4	22	25
All Quintiles	19	17	18	21	26	100

SOURCE: Congressional Budget Office.

NOTES: * = less than 0.5 percent.

Families are people related by blood, marriage, or adoption who live together. A household consists of the people who share a housing unit, regardless of their relationships. A family with children has at least one member under age 18. An elderly family is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless family is one with no member under age 18 or over age 64.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Bold numbers indicate percentages of families who are in the same quintile under both CBO's historical measure and the comprehensive measure.

- a. Household cash income plus business taxes divided by the federal poverty threshold appropriate for the family's size.
- b. Comprehensive household income (cash income plus business taxes and in-kind benefits) divided by the square root of the number of people in the household.

Table 3-5.
Distribution of Households, Families, and People Under the Adjusted Comprehensive Household Income Measure, by Income Quintile and Household Type, 1997 (In percent)

Income Quintile ^a	All Households	Households with Children	Elderly Households	Nonelderly Childless Households
People				
Lowest	20	23	17	16
Second	20	22	21	15
Middle	20	21	22	17
Fourth	20	19	20	23
Highest	<u>20</u>	<u>15</u>	<u>21</u>	<u>29</u>
Total	100	100	100	100
Families^b				
Lowest	21	24	21	19
Second	19	22	22	17
Middle	19	21	21	18
Fourth	20	19	18	21
Highest	<u>21</u>	<u>15</u>	<u>19</u>	<u>26</u>
Total	100	100	100	100
Households				
Lowest	22	24	21	21
Second	20	22	22	17
Middle	19	21	21	17
Fourth	19	19	18	20
Highest	<u>20</u>	<u>15</u>	<u>18</u>	<u>24</u>
Total	100	100	100	100

SOURCE: Congressional Budget Office.

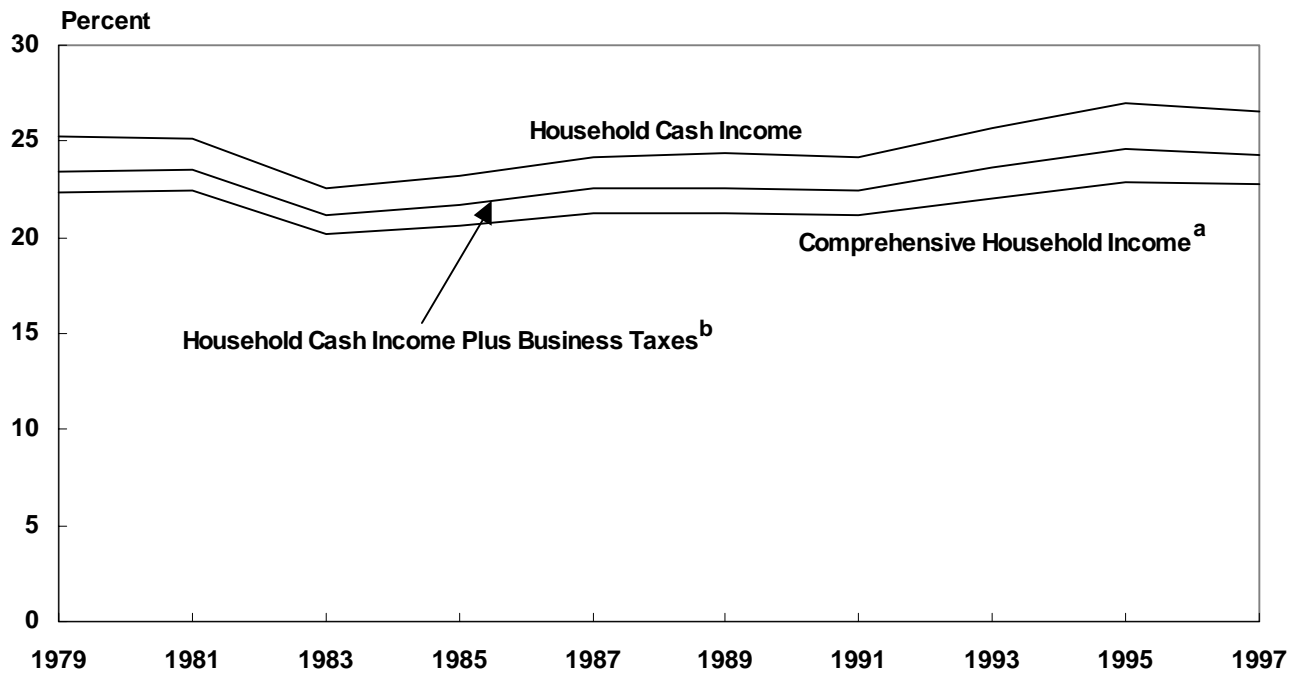
NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Comprehensive household income adjusted for household size equals comprehensive household income (cash income plus business taxes and in-kind benefits) divided by the square root of the number of people in the household.

a. Quintiles, or fifths, of the income distribution contain equal numbers of people.

b. Families are people related by blood, marriage, or adoption who live together.

Figure 3-1.
Total Effective Federal Tax Rates, by Income Measure, 1979-1997



SOURCE: Congressional Budget Office.

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

Households are people who share a single housing unit, regardless of the relationships among them.

Household cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.

a. Includes cash income plus business taxes and in-kind benefits. Business taxes include corporate income taxes and the employer's share of social insurance taxes. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.

b. Adding nonhealth in-kind benefits to this income measure has virtually no effect on effective tax rates.

Figure 3-2.
Total Effective Federal Tax Rates, by Income Measure and Quintile, 1979-1997

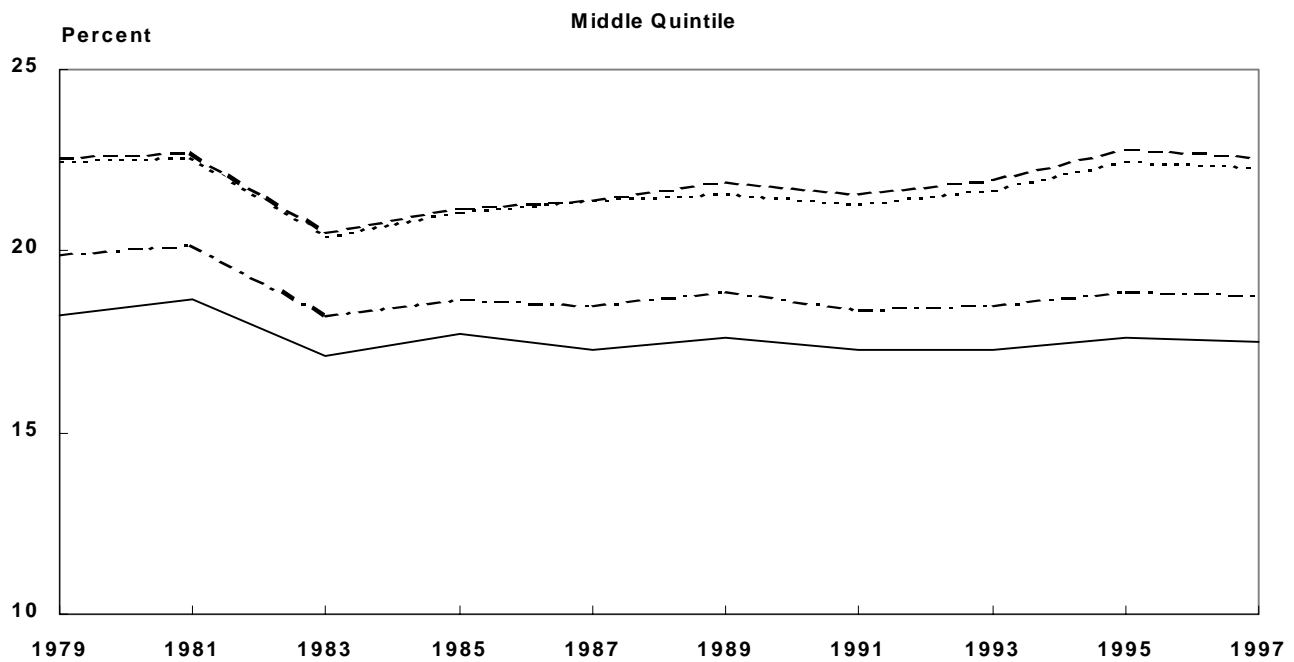
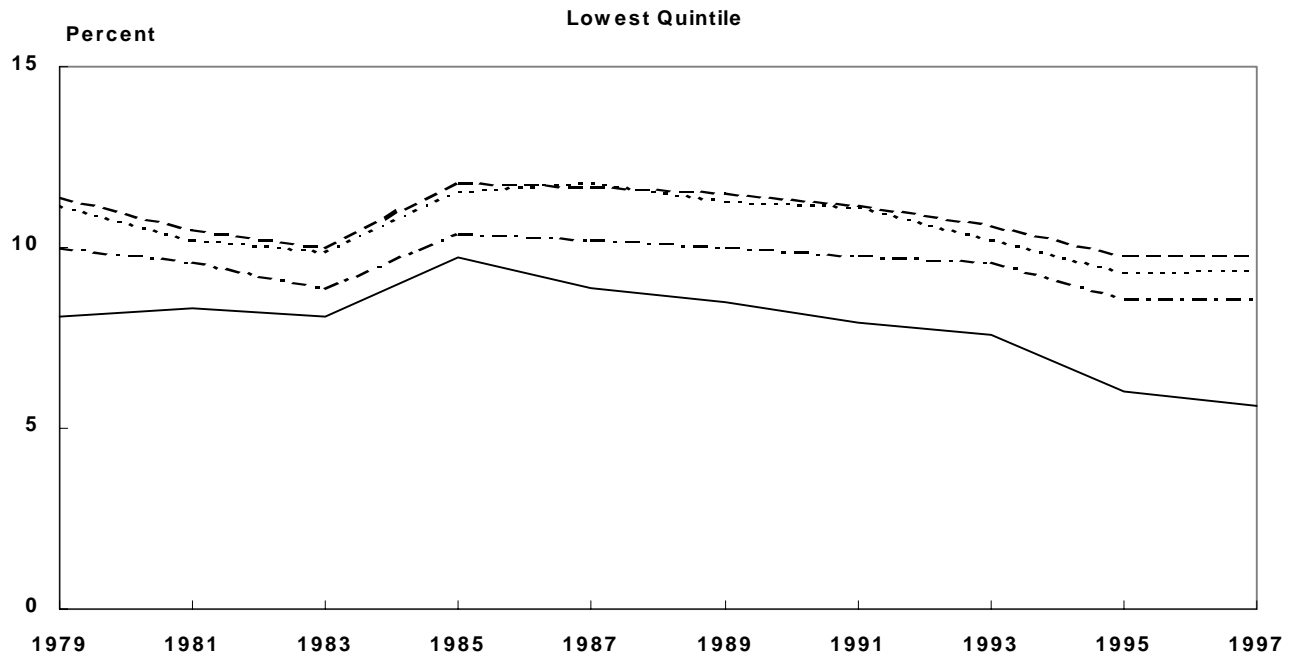
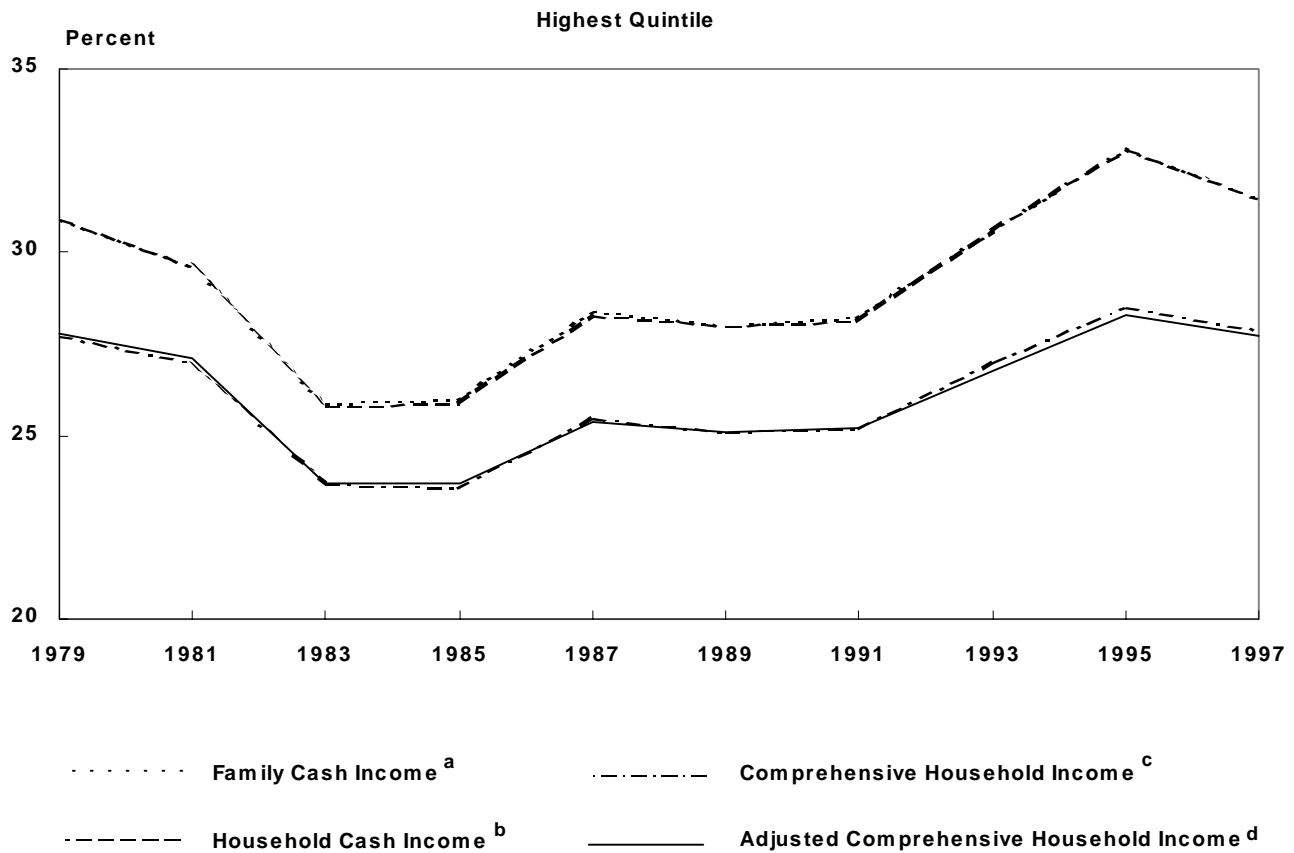


Figure 3-2.
Continued



SOURCE: Congressional Budget Office.

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

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.

- a. Families are people related by blood, marriage, or adoption who live together.
- b. Households are people who share a single housing unit, regardless of the relationships among them.
- c. Includes cash income plus business taxes and in-kind benefits. Business taxes include corporate income taxes and the employer's share of social insurance taxes. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.
- d. Comprehensive household income divided by the square root of the number of people in the household.

Figure 3-3.
Effective Federal Tax Rates, by Income Measure and Revenue Source, 1979-1997

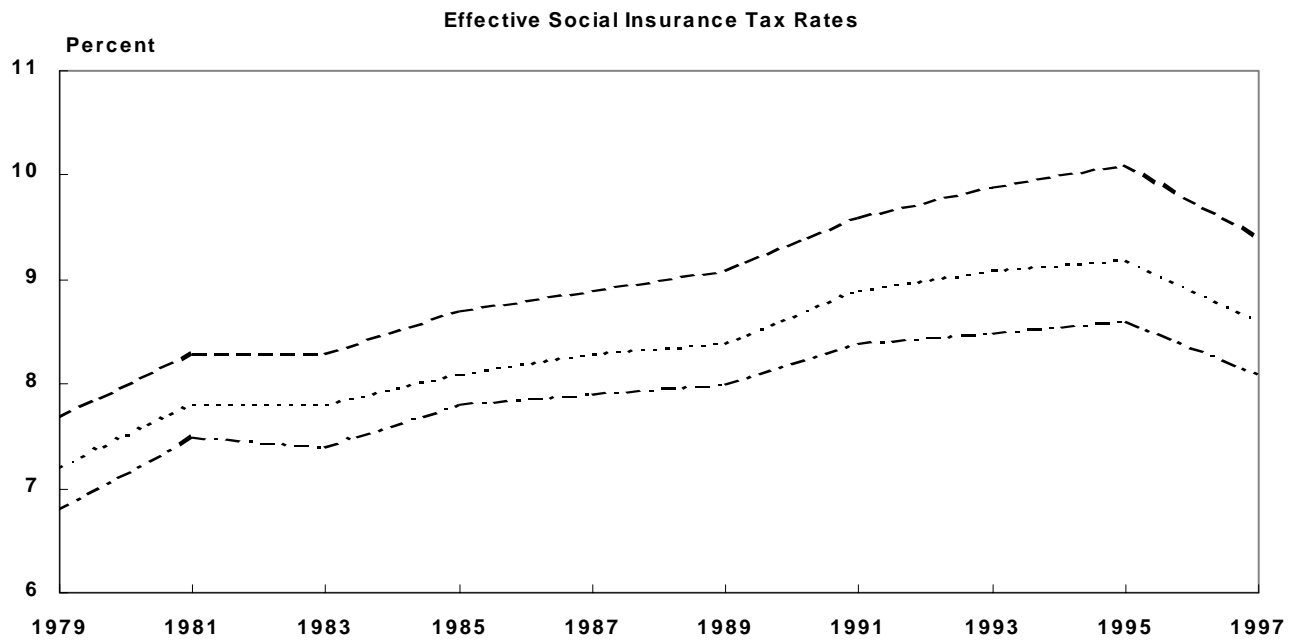
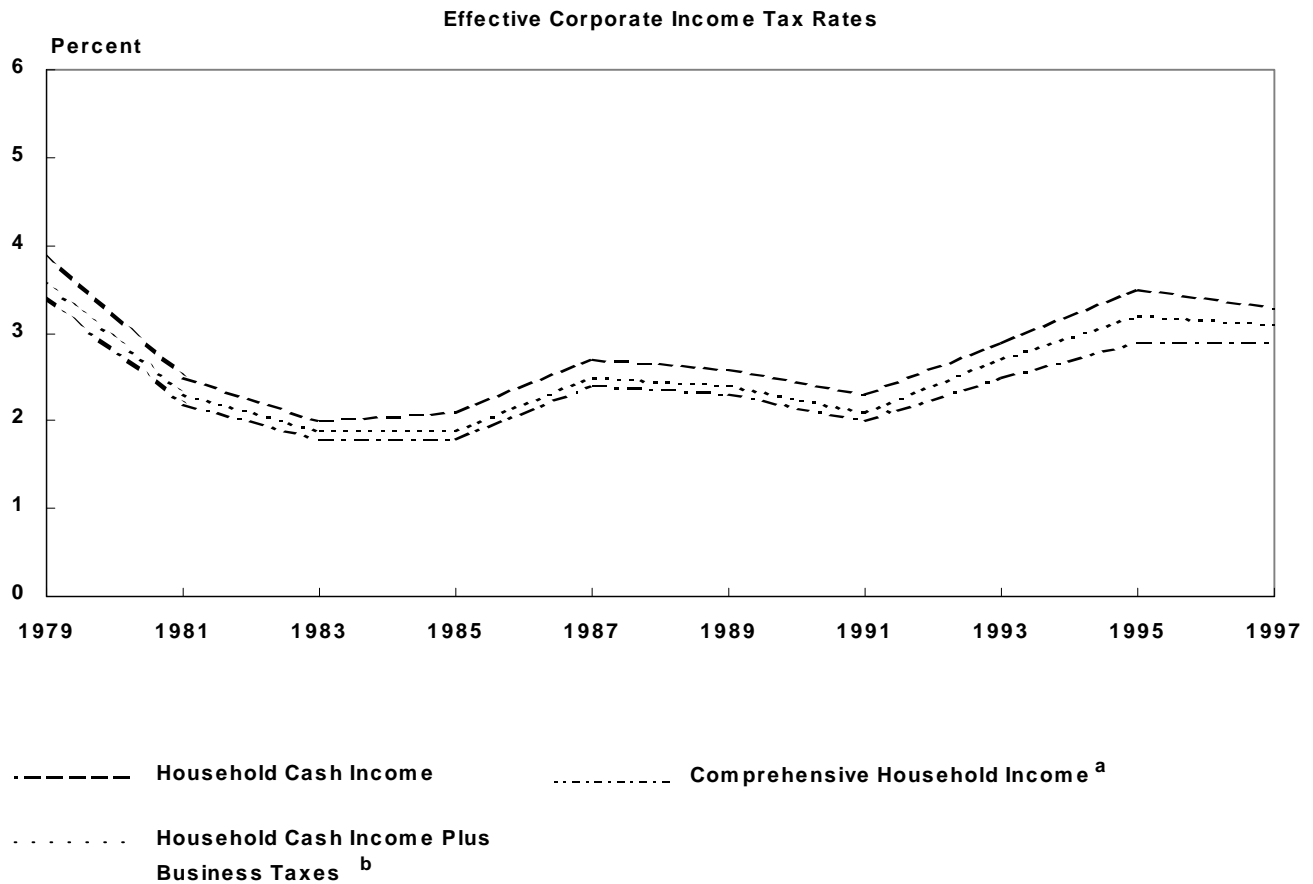


Figure 3-3.
Continued



SOURCE: Congressional Budget Office.

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

Households are people who share a single housing unit, regardless of the relationships among them. Household cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.

a. Includes cash income plus business taxes and in-kind benefits. Business taxes include corporate income taxes and the employer's share of social insurance taxes. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.

b. Adding nonhealth benefits to this income measure has virtually no effect on effective tax rates.

Figure 3-4.
Effective Federal Individual Income Tax Rates, by Income Measure and Quintile, 1979-1997

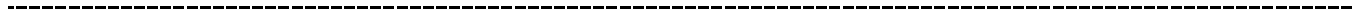
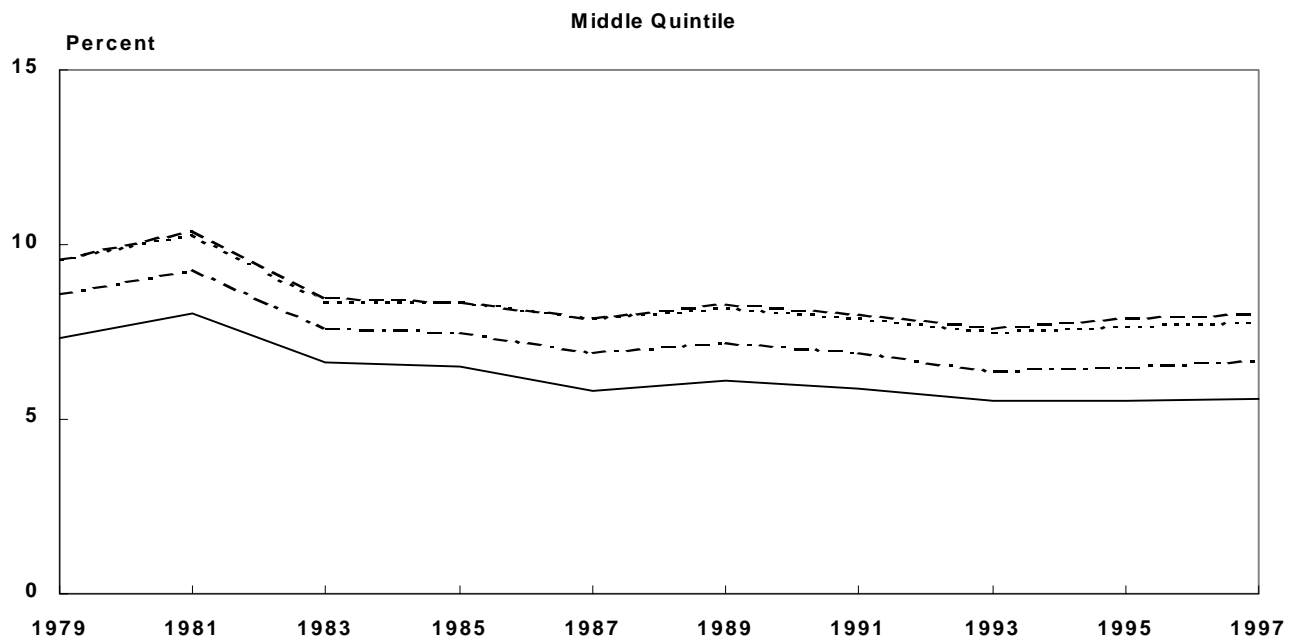
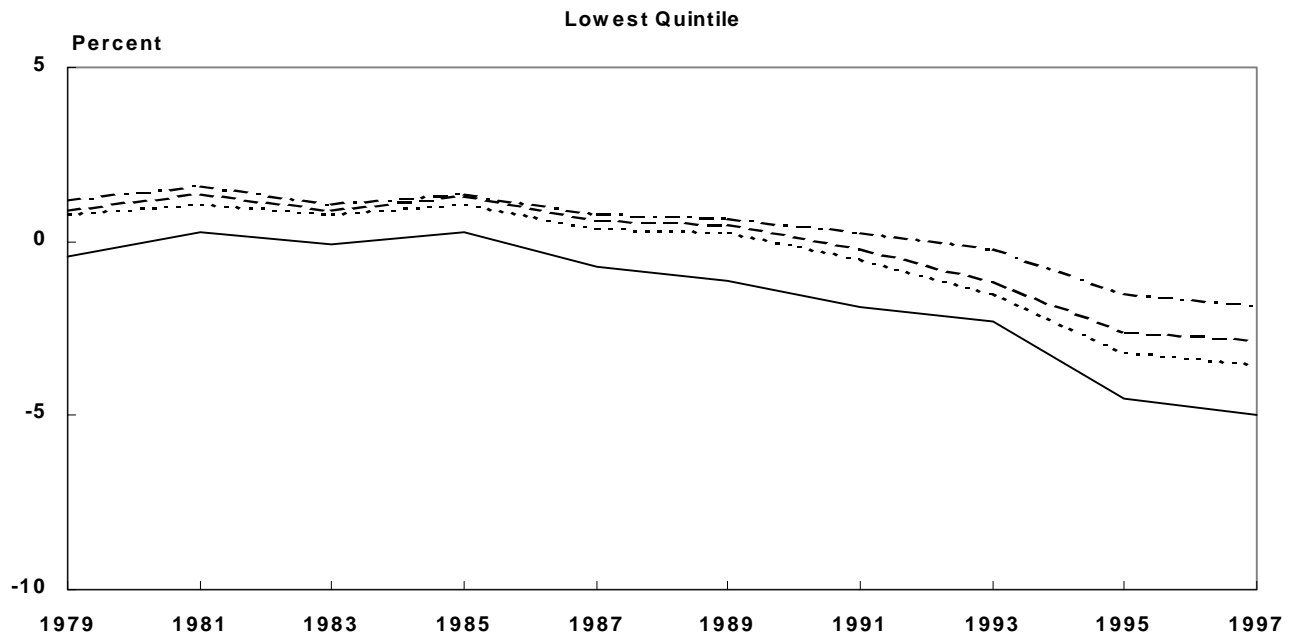
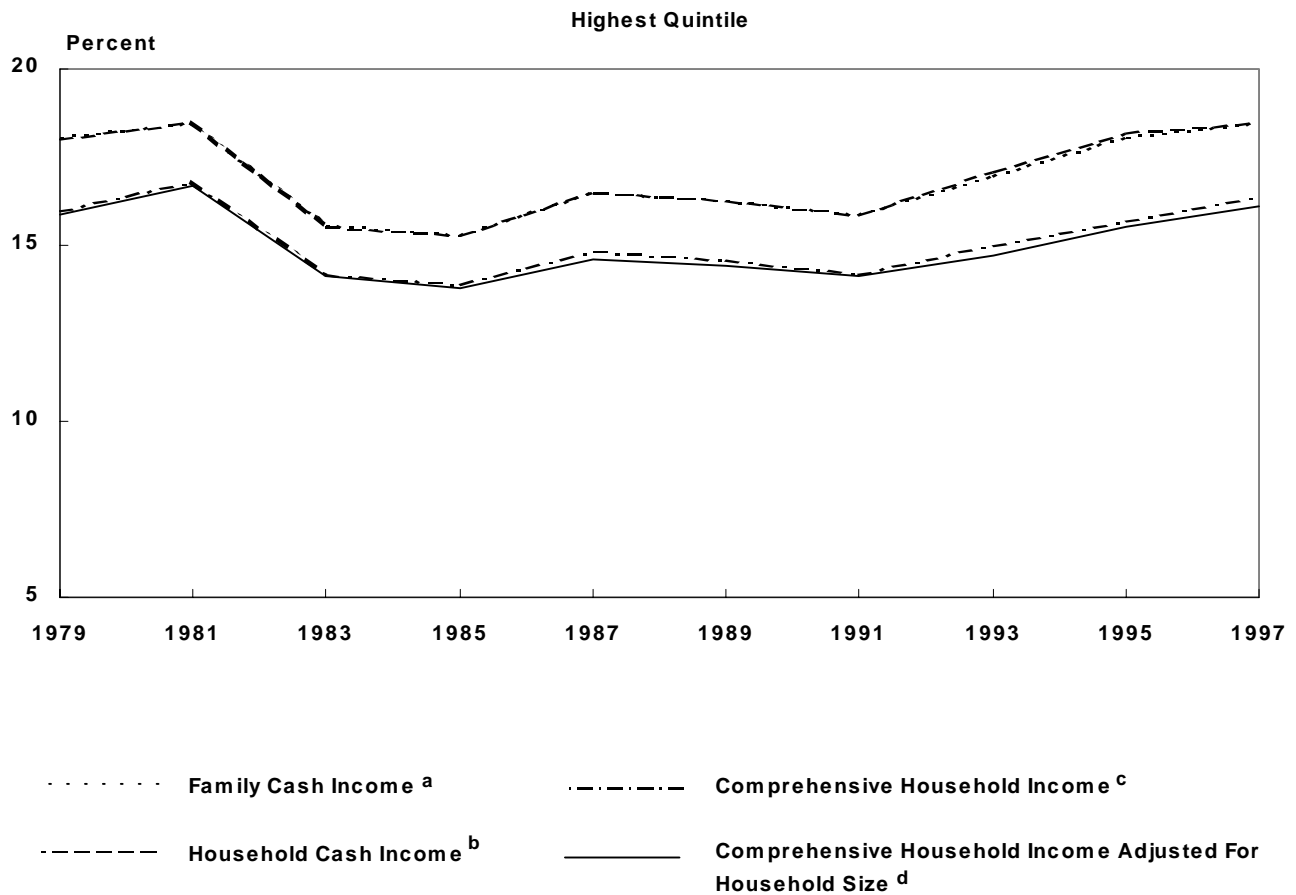


Figure 3-4.
Continued



SOURCE: Congressional Budget Office.

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

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.

- a. Families are people related by blood, marriage, or adoption who live together.
- b. Households are people who share a single housing unit, regardless of the relationships among them.
- c. Includes cash income plus business taxes and in-kind benefits. Business taxes include corporate income taxes and the employer's share of social insurance taxes. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.
- d. Comprehensive household income adjusted for household size equals comprehensive household income divided by the square root of the number of people in the household.

Figure 3-5.
Effective Federal Social Insurance Tax Rates, by Income Measure and Quintile, 1979-1997

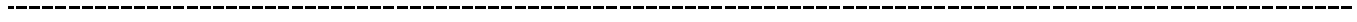
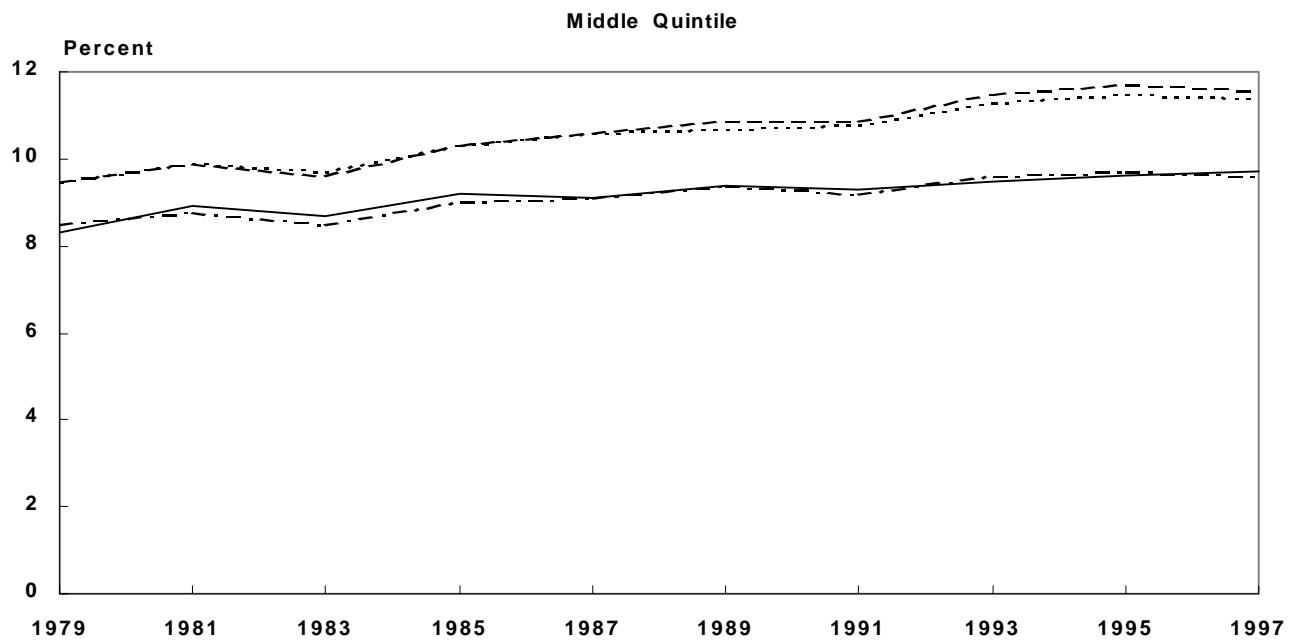
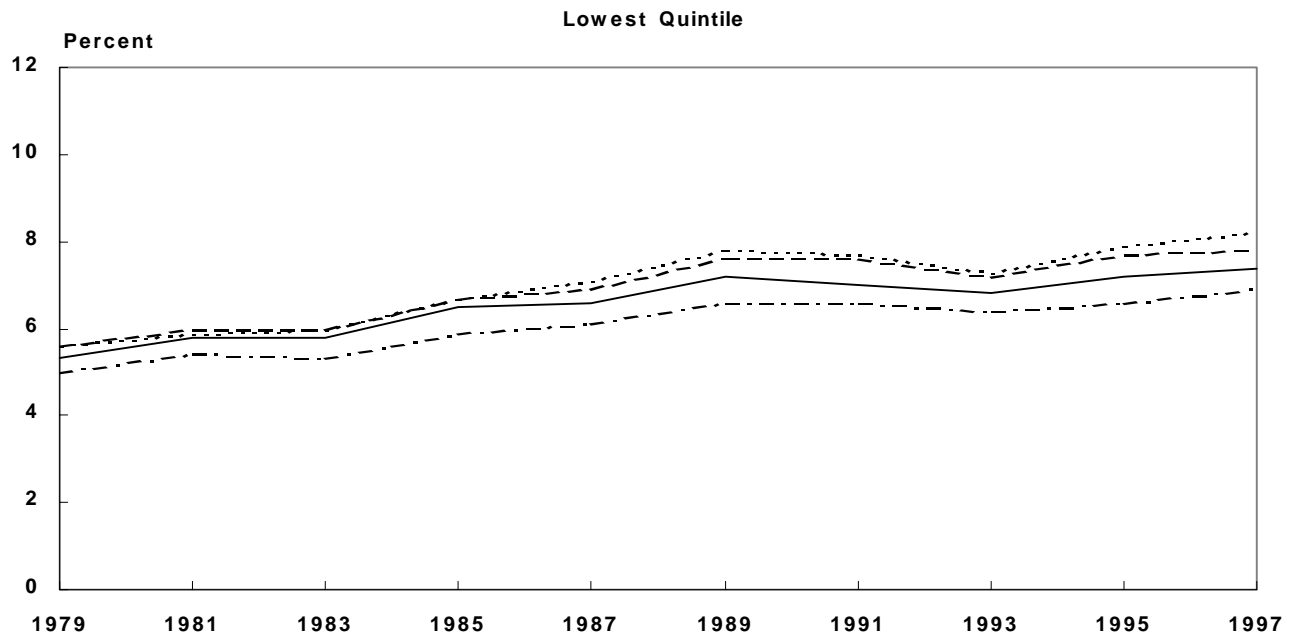
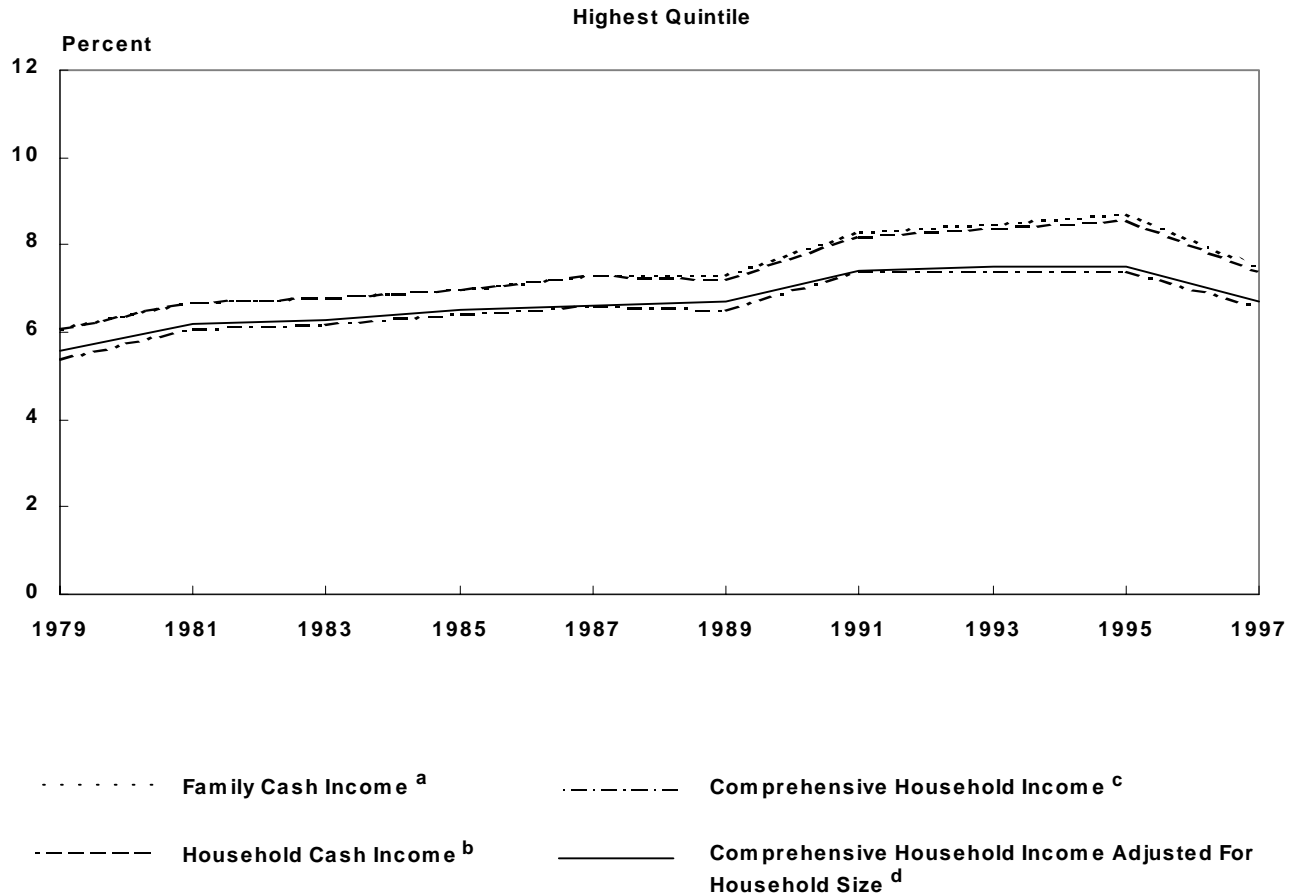


Figure 3-5.
Continued



SOURCE: Congressional Budget Office.

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

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.

- a. Families are people related by blood, marriage, or adoption who live together.
- b. Households are people who share a single housing unit, regardless of the relationships among them.
- c. Includes cash income plus business taxes and in-kind benefits. Business taxes include corporate income taxes and the employer's share of social insurance taxes. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.
- d. Comprehensive household income adjusted for household size equals comprehensive household income divided by the square root of the number of people in the household.

Figure 3-6.
Effective Federal Corporate Income Tax Rates, by Income Measure and Quintile, 1979-1997

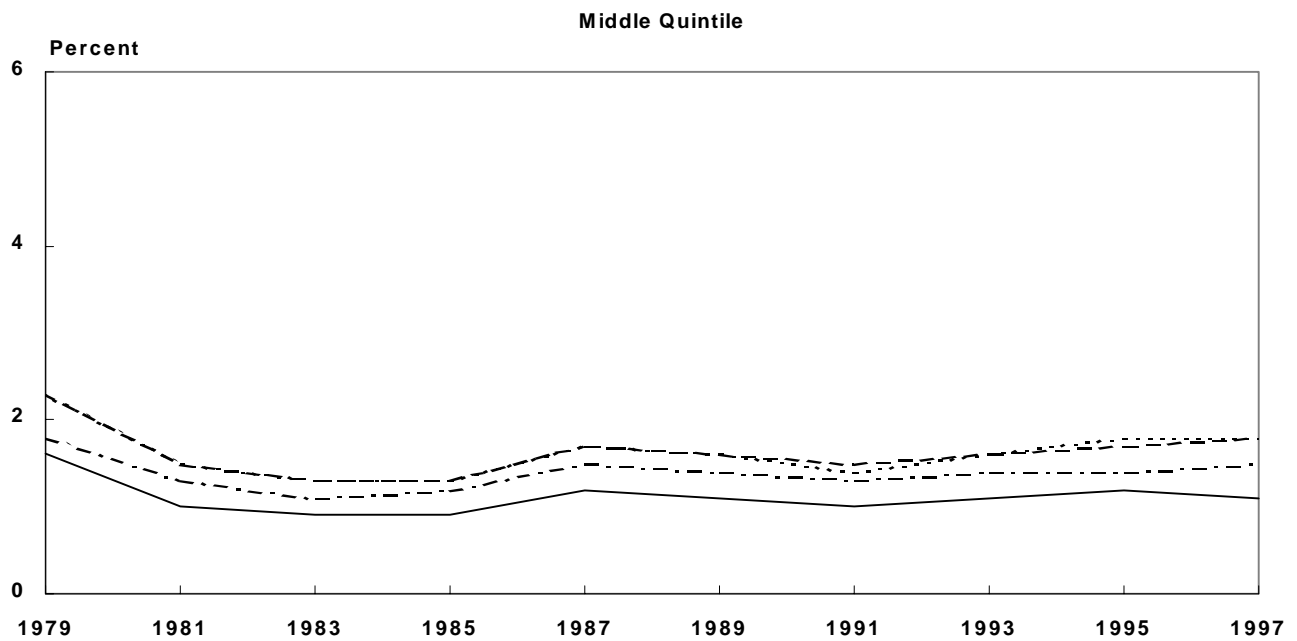
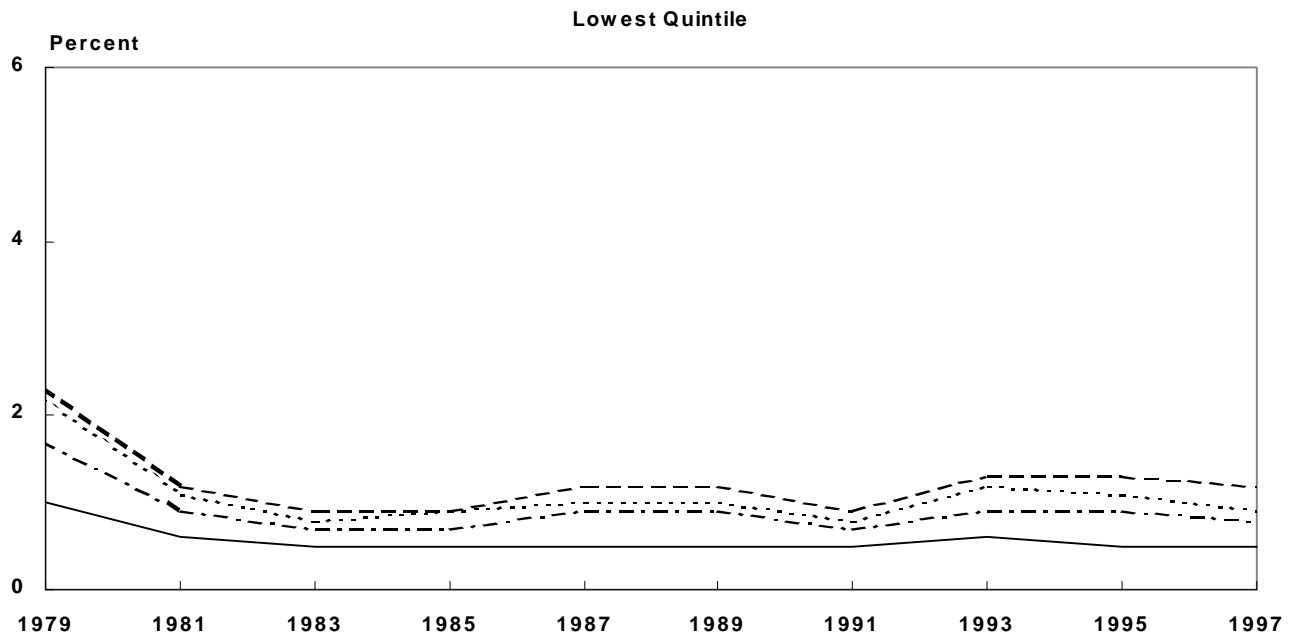


Figure 3-6.
Continued



SOURCE: Congressional Budget Office.

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

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.

- a. Families are people related by blood, marriage, or adoption who live together.
- b. Households are people who share a single housing unit, regardless of the relationships among them.
- c. Includes cash income plus business taxes and in-kind benefits. Business taxes include corporate income taxes and the employer's share of social insurance taxes. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.
- d. Comprehensive household income adjusted for household size equals comprehensive household income divided by the square root of the number of people in the household.

Figure 3-7.
Effective Federal Excise Tax Rates, by Income Measure and Quintile, 1979-1997

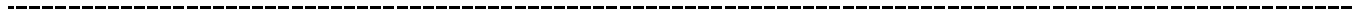
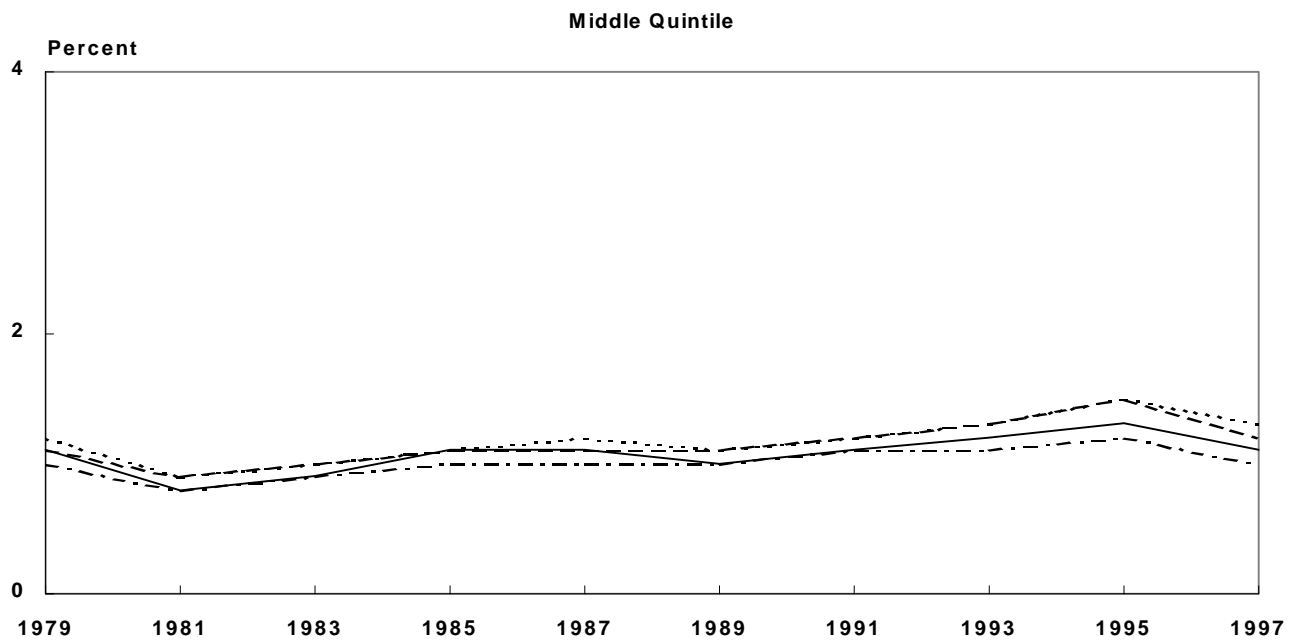
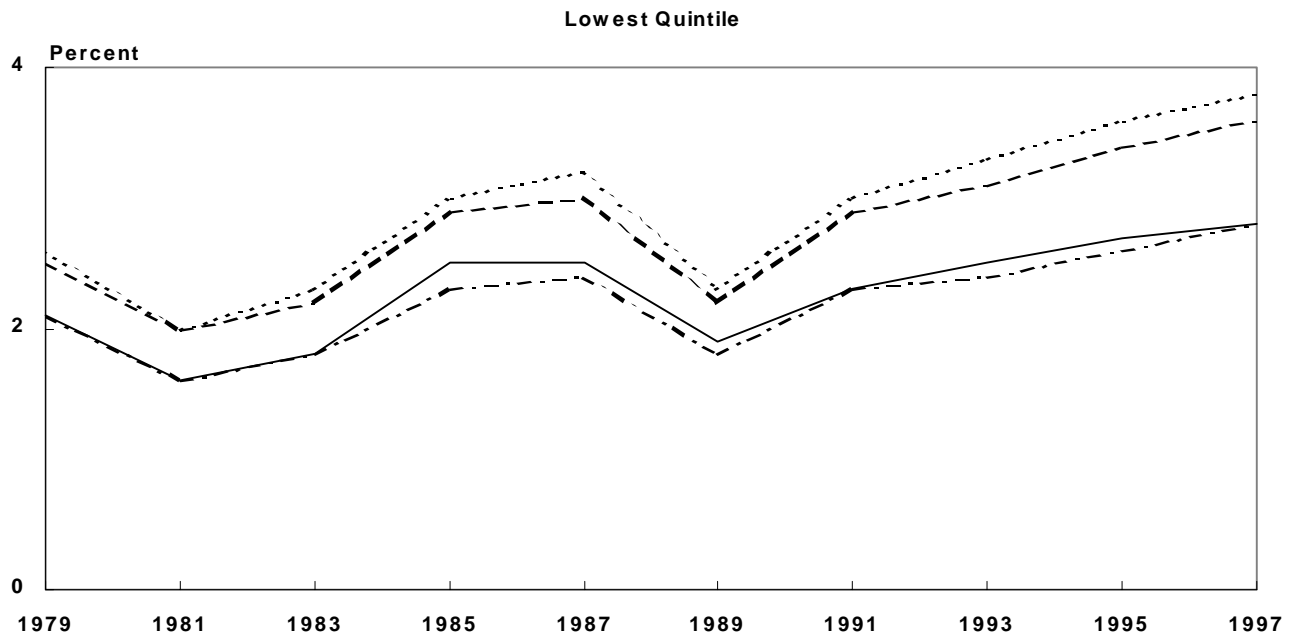
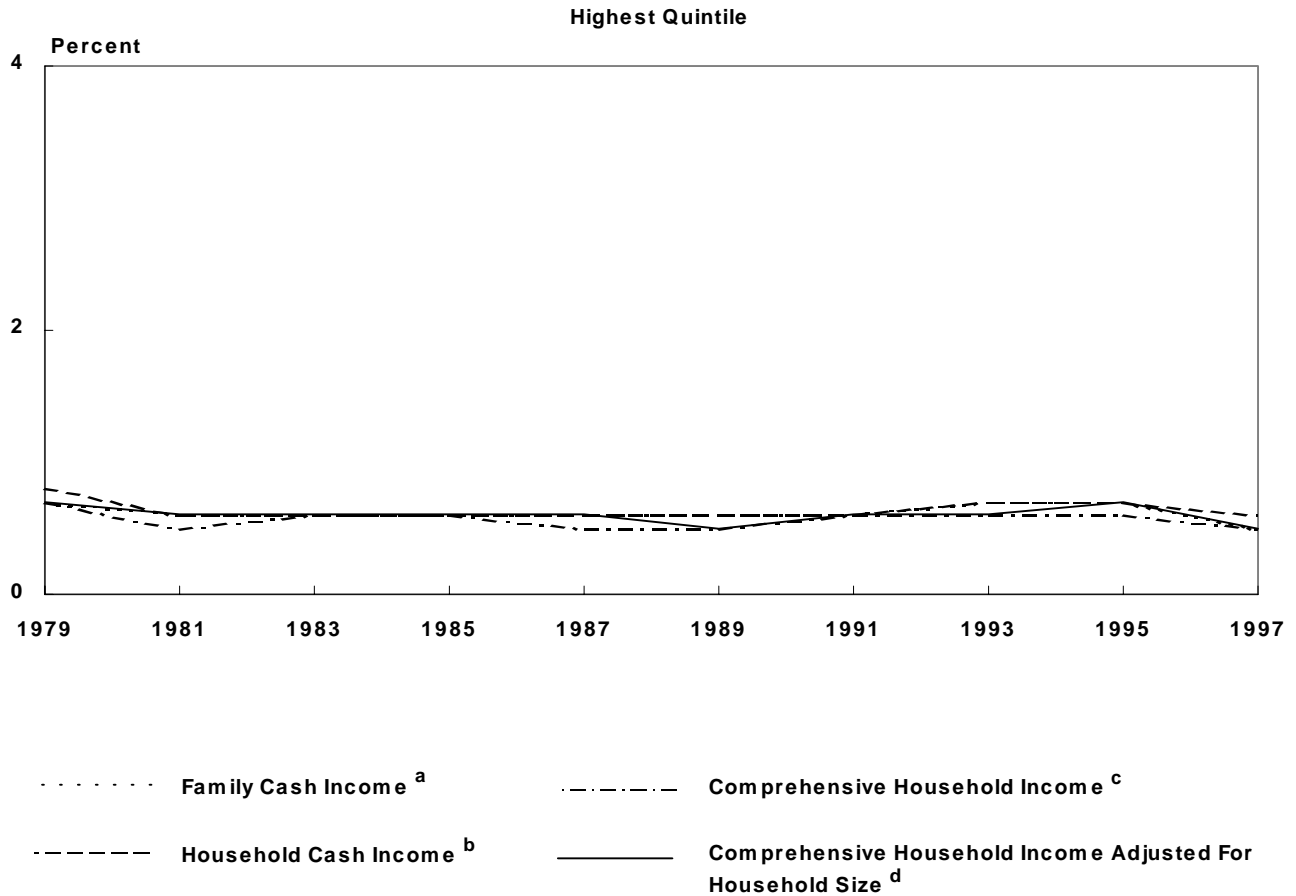


Figure 3-7.
Continued



SOURCE: Congressional Budget Office.

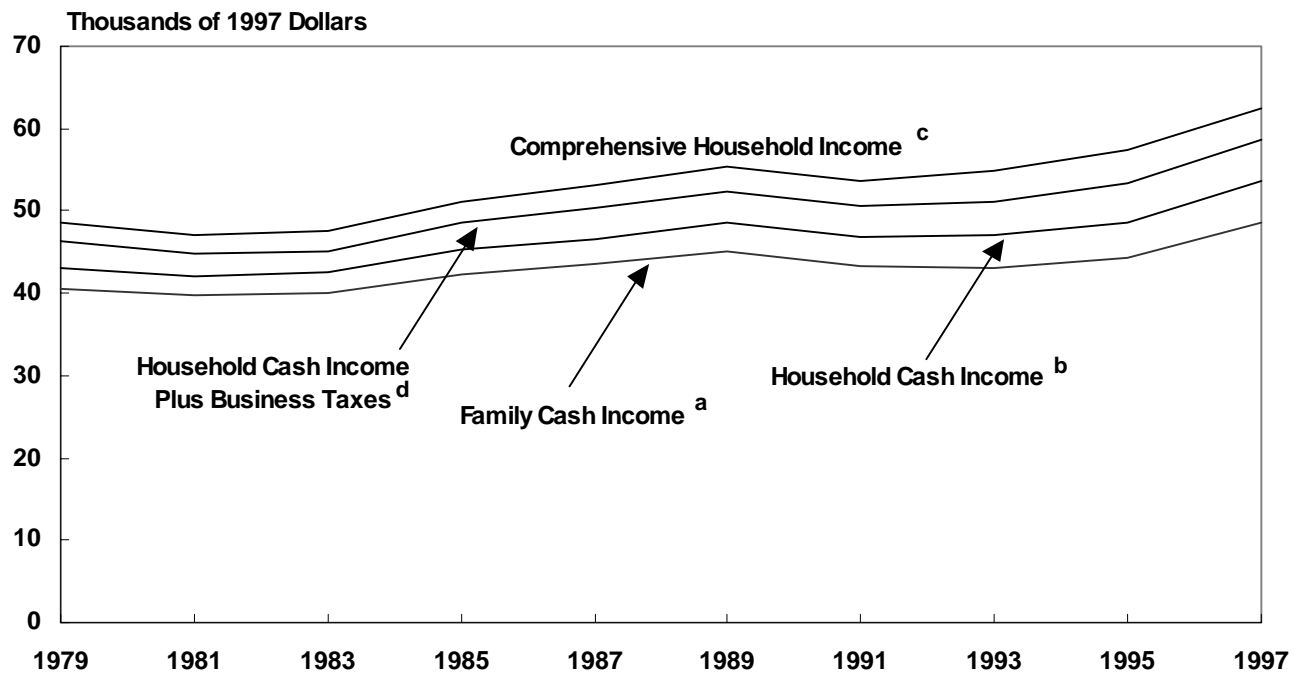
NOTES: Effective tax rates are calculated by dividing taxes by comprehensive household income.

Quintiles, or fifths, of the income distribution contain equal numbers of people.

Cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.

- a. Families are people related by blood, marriage, or adoption who live together.
- b. Households are people who share a single housing unit, regardless of the relationships among them.
- c. Includes cash income plus business taxes and in-kind benefits. Business taxes include corporate income taxes and the employer's share of social insurance taxes. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.
- d. Comprehensive household income adjusted for household size equals comprehensive household income divided by the square root of the number of people in the household.

Figure 3-8.
Average Real Pretax Income by Income Measure, 1979-1997



SOURCE: Congressional Budget Office.

NOTE: Cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.

- a. Families are people related by blood, marriage, or adoption who live together.
- b. Households are people who share a single housing unit, regardless of the relationships among them.
- c. Includes cash income plus business taxes and in-kind benefits. Business taxes include corporate income taxes and the employer's share of social insurance taxes. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.
- d. Adding nonhealth benefits to this income measure has virtually no effect on effective tax rates.

Figure 3-9.
Real Pretax Income by Income Measure and Quintile, 1979-1997

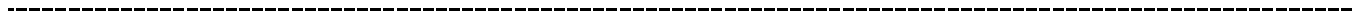
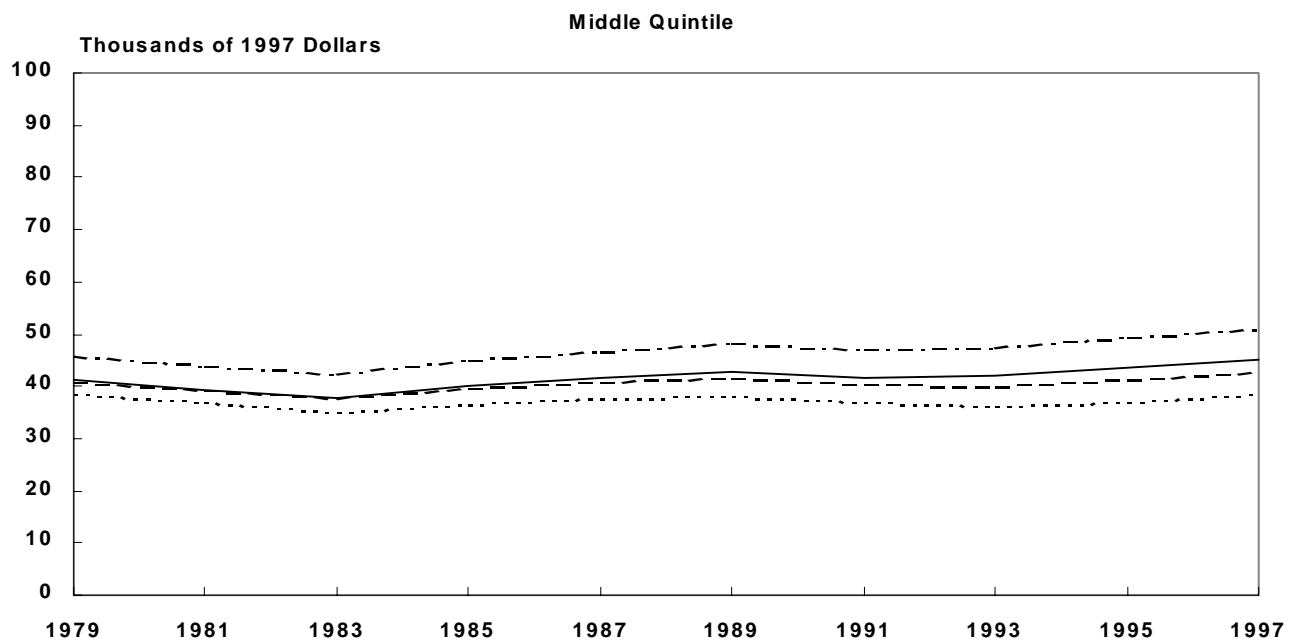
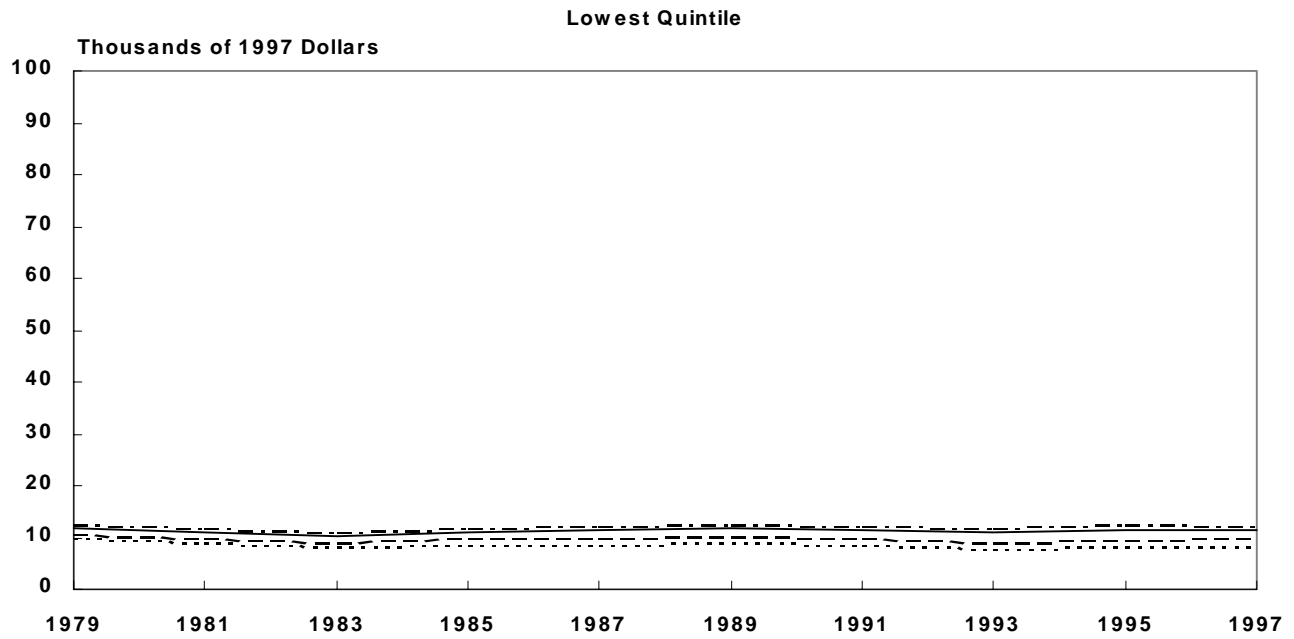
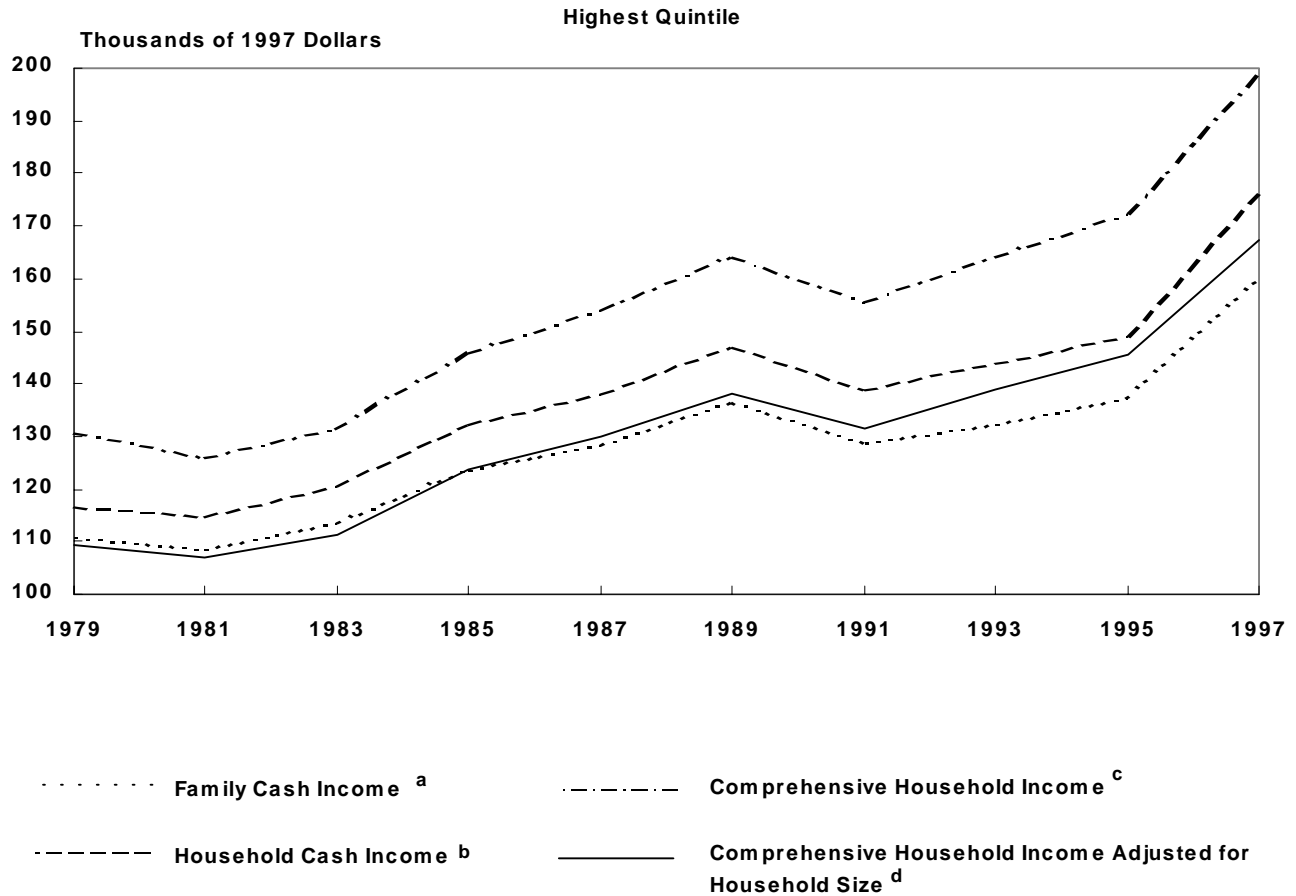


Figure 3-9.
Continued



SOURCE: Congressional Budget Office.

NOTES: Quintiles, or fifths, of the income distribution contain equal numbers of people.

Cash income comprises wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits.

- a. Families are people related by blood, marriage, or adoption who live together.
- b. Households are people who share a single housing unit, regardless of the relationships among them.
- c. Includes cash income plus business taxes and in-kind benefits. Business taxes include corporate income taxes and the employer's share of social insurance taxes. Health-related in-kind benefits include Medicare, Medicaid, and employer-paid health insurance premiums. Nonhealth in-kind benefits include food stamps, school lunches and breakfasts, housing assistance, and energy assistance.
- d. Comprehensive household income adjusted for household size equals comprehensive household income divided by the square root of the number of people in the household.

Appendixes

Appendixes A through F are not provided in this version of the study. Their titles appear below:

- Appendix A: Prior CBO Work on Distributional Issues
- Appendix B: Summary of the CBO Distributional Conference Held in March 2000
- Appendix C: Comparing Methods of Distributional Analysis: CBO, the Department of the Treasury, and the Joint Committee on Taxation
- Appendix D: Methods Used to Create Distributional Tables
- Appendix E: Comparing Measures of Aggregate Income: CBO and the Bureau of Economic Analysis
- Appendix F: Comparing Statistics on the Income Distribution: CBO and the Bureau of the Census

**Tables Based on Adjusted Household
Comprehensive Income by Quintile, 1979-1997**

Table G-1a.
Effective Federal Tax Rates for All Households, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Total Federal Tax Rate											
Lowest Quintile	8.1	8.3	8.1	9.7	8.9	8.5	7.9	7.6	6.0	5.6	5.3
Second Quintile	14.0	14.2	13.0	14.5	14.3	14.3	14.2	13.5	13.6	13.9	12.8
Middle Quintile	18.2	18.7	17.1	17.7	17.3	17.6	17.3	17.3	17.6	17.5	16.7
Fourth Quintile	21.2	21.9	19.9	20.2	20.0	20.3	20.2	20.4	20.8	20.5	20.0
Highest Quintile	27.8	27.1	23.7	23.7	25.4	25.1	25.2	26.8	28.3	27.7	27.4
All Quintiles	22.3	22.4	20.2	20.6	21.3	21.3	21.1	22.0	22.9	22.8	22.3
Top 10 percent	30.0	28.4	24.7	24.4	26.8	26.2	26.3	28.5	30.4	29.4	29.1
Top 5 percent	32.2	29.6	25.3	24.9	27.9	27.0	27.3	30.1	32.3	30.9	30.5
Top 1 percent	37.3	31.8	26.8	26.0	29.9	28.2	28.9	33.3	36.4	33.3	32.7
Effective Individual Income Tax Rate											
Lowest Quintile	-0.4	0.3	-0.1	0.3	-0.7	-1.1	-1.9	-2.3	-4.5	-5.0	-5.3
Second Quintile	3.9	4.5	3.5	3.9	3.4	3.5	3.1	2.4	2.2	2.4	1.3
Middle Quintile	7.3	8.0	6.6	6.5	5.8	6.1	5.9	5.5	5.5	5.6	4.8
Fourth Quintile	10.1	11.0	9.1	8.9	8.2	8.4	8.2	8.0	8.0	8.1	7.5
Highest Quintile	15.9	16.7	14.1	13.8	14.6	14.4	14.1	14.7	15.5	16.1	15.8
All Quintiles	11.1	12.0	10.2	10.1	10.2	10.2	9.8	10.0	10.4	11.0	10.5
Top 10 percent	17.7	18.3	15.5	15.2	16.4	16.0	15.7	16.7	17.6	18.1	17.8
Top 5 percent	19.4	19.7	16.8	16.4	18.1	17.4	17.1	18.6	19.6	20.0	19.5
Top 1 percent	22.4	22.0	19.1	18.5	20.7	19.5	19.7	22.5	23.4	23.0	22.3
Effective Social Insurance Tax Rate											
Lowest Quintile	5.3	5.8	5.8	6.5	6.6	7.2	7.0	6.8	7.2	7.4	7.4
Second Quintile	7.3	7.8	7.6	8.4	8.6	8.7	9.0	8.8	8.8	9.2	9.2
Middle Quintile	8.3	8.9	8.7	9.2	9.1	9.4	9.3	9.5	9.6	9.7	9.7
Fourth Quintile	8.4	9.0	8.9	9.4	9.5	9.7	9.9	10.2	10.3	10.2	10.2
Highest Quintile	5.6	6.2	6.3	6.5	6.6	6.7	7.4	7.5	7.5	6.7	6.7
All Quintiles	6.8	7.5	7.4	7.8	7.9	8.0	8.4	8.5	8.6	8.1	8.1
Top 10 percent	4.5	5.1	5.2	5.2	5.4	5.4	6.3	6.2	6.4	5.4	5.4
Top 5 percent	3.2	3.8	3.8	3.8	4.1	3.9	5.0	4.8	5.1	4.2	4.2
Top 1 percent	1.4	1.6	1.6	1.5	1.7	1.5	2.2	2.0	2.7	2.1	2.1

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table G-1a.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Corporate Income Tax Rate											
Lowest Quintile	1.0	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.5
Second Quintile	1.4	0.8	0.6	0.6	0.9	0.8	0.6	0.8	0.8	0.7	0.7
Middle Quintile	1.6	1.0	0.9	0.9	1.2	1.1	1.0	1.1	1.2	1.1	1.1
Fourth Quintile	1.8	1.2	1.1	1.1	1.4	1.3	1.2	1.3	1.4	1.4	1.4
Highest Quintile	5.6	3.6	2.7	2.8	3.6	3.5	3.1	3.9	4.7	4.4	4.4
All Quintiles	3.4	2.2	1.8	1.8	2.4	2.3	2.0	2.5	2.9	2.9	2.9
Top 10 percent	7.1	4.6	3.4	3.5	4.4	4.3	3.8	4.9	5.9	5.4	5.4
Top 5 percent	9.0	5.6	4.2	4.3	5.4	5.3	4.7	6.0	7.2	6.3	6.3
Top 1 percent	13.0	7.9	5.7	5.6	7.2	6.9	6.6	8.2	10.0	8.0	8.0
Effective Federal Excise Tax Rate											
Lowest Quintile	2.1	1.6	1.9	2.5	2.5	1.9	2.3	2.5	2.7	2.8	2.8
Second Quintile	1.3	1.1	1.2	1.5	1.5	1.3	1.5	1.6	1.8	1.6	1.6
Middle Quintile	1.1	0.8	0.9	1.1	1.1	1.0	1.1	1.2	1.3	1.1	1.1
Fourth Quintile	0.9	0.7	0.8	0.9	0.9	0.8	0.9	0.9	1.1	0.9	0.9
Highest Quintile	0.7	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.7	0.5	0.5
All Quintiles	1.0	0.8	0.8	0.9	0.9	0.8	0.9	1.0	1.0	0.9	0.9
Top 10 percent	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.4	0.4
Top 5 percent	0.6	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.4	0.4
Top 1 percent	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.5	0.3	0.2	0.2

NOTES: (Continued)

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

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

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

- a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-1b.
Shares of Federal Tax Revenues for All Households, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Total Federal Tax Revenues											
Lowest Quintile	1.9	1.8	1.7	2.1	1.9	1.8	1.7	1.5	1.1	1.0	0.9
Second Quintile	6.9	6.8	6.5	7.0	6.8	6.6	6.7	6.0	5.7	5.5	5.2
Middle Quintile	12.9	13.0	13.0	13.0	12.2	12.3	12.5	11.8	11.4	10.7	10.4
Fourth Quintile	21.0	21.8	21.8	21.3	20.6	20.2	20.8	20.2	19.2	18.1	18.1
Highest Quintile	57.1	56.4	56.9	56.4	58.5	59.0	58.3	60.5	62.5	64.7	65.4
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	41.1	39.6	40.2	39.9	42.3	43.0	42.0	44.5	47.1	49.9	50.4
Top 5 percent	30.0	28.0	28.4	28.5	30.9	31.8	30.4	33.3	35.8	39.1	39.4
Top 1 percent	15.5	13.1	13.9	14.2	15.9	16.5	15.2	17.9	19.9	23.0	23.1
Share of Individual Income Tax Revenues											
Lowest Quintile	-0.2	0.1	0.0	0.1	-0.3	-0.5	-0.8	-1.0	-1.9	-1.8	-2.0
Second Quintile	3.9	4.0	3.4	3.8	3.3	3.4	3.1	2.3	2.1	2.0	1.1
Middle Quintile	10.4	10.4	10.0	9.8	8.7	8.9	9.2	8.2	7.9	7.1	6.4
Fourth Quintile	20.1	20.4	19.7	19.1	17.7	17.5	18.3	17.3	16.4	14.8	14.5
Highest Quintile	65.8	65.1	67.0	67.1	70.6	70.7	70.2	73.2	75.6	77.9	80.0
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	48.9	47.6	50.1	50.6	54.4	54.8	53.9	57.4	60.3	63.8	65.6
Top 5 percent	36.4	34.8	37.3	38.2	41.9	42.8	41.2	45.4	47.9	52.4	53.8
Top 1 percent	18.7	16.9	19.6	20.7	23.1	23.8	22.3	26.7	28.3	32.9	33.6
Share of Social Insurance Tax Revenues											
Lowest Quintile	4.1	3.9	3.4	3.7	3.7	4.0	3.7	3.4	3.7	3.6	3.6
Second Quintile	11.9	11.2	10.4	10.9	11.0	10.8	10.6	10.0	10.0	10.3	10.3
Middle Quintile	19.2	18.6	18.0	17.9	17.5	17.6	16.9	16.7	16.5	16.6	16.6
Fourth Quintile	27.1	27.0	26.7	26.3	26.5	25.9	25.6	26.1	25.3	25.5	25.5
Highest Quintile	37.7	39.1	41.2	41.0	41.2	41.8	43.2	43.7	44.5	44.0	44.0
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	20.0	21.3	23.0	22.8	23.2	23.6	25.3	25.2	26.5	26.1	26.1
Top 5 percent	9.8	10.8	11.6	11.6	12.2	12.2	14.0	13.9	15.0	15.1	15.1
Top 1 percent	1.9	2.0	2.2	2.2	2.4	2.4	3.0	2.8	4.0	4.2	4.2

SOURCE: Congressional Budget Office.

Table G-1b.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Corporate Income Tax Revenues											
Lowest Quintile	1.6	1.3	1.2	1.1	1.0	1.0	1.1	1.1	0.8	0.7	0.7
Second Quintile	4.5	3.9	3.4	3.4	3.7	3.5	3.2	3.0	2.7	2.3	2.3
Middle Quintile	7.2	7.0	7.4	7.6	7.8	7.1	7.7	6.7	6.2	5.5	5.5
Fourth Quintile	11.8	12.3	13.1	12.9	13.0	12.4	12.8	11.5	10.2	9.8	9.8
Highest Quintile	74.7	75.4	74.6	74.9	74.3	76.6	75.2	77.7	80.0	82.1	82.1
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	63.9	64.0	62.9	64.0	62.6	66.3	64.4	67.6	71.0	72.7	72.7
Top 5 percent	54.5	53.7	53.5	54.3	52.9	58.2	55.2	58.6	62.1	63.6	63.6
Top 1 percent	35.2	32.8	33.6	34.4	34.1	37.6	36.6	38.8	42.4	43.7	43.7
Share of Federal Excise Tax Revenues											
Lowest Quintile	11.6	10.8	9.7	12.0	12.4	9.8	11.3	10.7	11.2	12.5	12.5
Second Quintile	15.3	15.3	15.0	16.7	16.4	15.4	15.8	15.8	16.2	16.7	16.7
Middle Quintile	17.4	17.5	17.6	17.9	17.8	18.1	18.6	18.1	18.7	17.7	17.7
Fourth Quintile	21.1	21.1	21.3	20.6	21.0	21.6	21.5	20.9	21.4	20.4	20.4
Highest Quintile	34.0	34.4	35.5	31.1	31.1	33.1	31.9	33.2	31.4	31.9	31.9
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	20.5	21.0	21.2	19.0	18.6	19.9	19.3	20.9	18.9	19.6	19.6
Top 5 percent	12.7	13.0	13.2	11.7	11.0	12.4	11.9	13.7	11.4	12.0	12.0
Top 1 percent	4.7	4.6	4.9	4.2	3.6	4.4	4.3	6.0	3.9	4.0	4.0

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

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

a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-1c.
Number of Households, Average Pretax and After-Tax Income, Shares of Pretax and After-Tax Income, and Income Category Minimums for All Households, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Number of Households (Millions)											
Lowest Quintile	17.8	17.8	17.3	18.4	19.3	19.7	20.3	20.8	21.7	22.4	22.4
Second Quintile	16.1	16.6	17.3	17.9	18.6	19.1	19.1	19.5	19.6	20.3	20.3
Middle Quintile	15.1	15.8	16.6	17.2	17.7	18.3	18.9	19.2	19.4	19.8	19.8
Fourth Quintile	15.4	16.1	16.5	17.2	17.7	18.0	18.6	19.0	19.0	19.7	19.7
Highest Quintile	16.6	17.3	17.8	18.1	18.4	19.1	19.2	19.3	19.8	20.4	20.4
All Quintiles	81.4	84.2	86.2	89.5	92.0	94.6	96.7	98.2	99.7	102.9	102.9
Top 10 percent	8.4	8.9	9.2	9.2	9.4	9.7	9.7	9.7	10.1	10.3	10.3
Top 5 percent	4.2	4.6	4.6	4.6	4.7	4.9	4.9	4.9	5.0	5.2	5.2
Top 1 percent	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0
Average Income (1997 dollars)											
<i>Pretax Income</i>											
Lowest Quintile	11,800	11,100	10,200	11,100	11,300	11,700	11,300	11,000	11,400	11,400	11,400
Second Quintile	27,100	25,500	23,900	25,600	26,600	27,300	26,900	26,800	28,200	28,600	28,600
Middle Quintile	41,400	39,300	37,900	40,100	41,700	42,700	41,700	42,000	43,500	45,100	45,100
Fourth Quintile	56,800	54,900	55,000	57,800	60,300	61,900	60,400	61,700	63,500	65,600	65,600
Highest Quintile	109,500	107,000	111,400	123,800	130,000	138,000	131,700	138,800	145,700	167,500	167,500
All Quintiles	48,500	47,000	47,500	51,000	53,100	55,400	53,600	54,800	57,300	62,400	62,400
Top 10 percent	144,500	139,100	146,800	167,800	175,700	190,400	179,200	191,100	201,100	240,700	240,700
Top 5 percent	195,700	183,700	200,200	232,800	244,200	267,100	249,300	266,100	288,200	355,800	355,800
Top 1 percent	420,200	389,600	463,800	581,600	598,000	694,000	616,700	672,900	761,200	1,016,900	1,016,900
<i>After-Tax Income</i>											
Lowest Quintile	10,900	10,200	9,400	10,000	10,300	10,800	10,400	10,200	10,700	10,800	10,800
Second Quintile	23,300	21,800	20,800	21,900	22,800	23,400	23,100	23,200	24,300	24,700	25,000
Middle Quintile	33,800	32,000	31,500	33,000	34,500	35,200	34,500	34,700	35,800	37,200	37,500
Fourth Quintile	44,700	42,900	44,100	46,100	48,300	49,300	48,200	49,100	50,300	52,200	52,500
Highest Quintile	79,100	78,000	85,000	94,500	96,900	103,300	98,500	101,700	104,400	121,000	121,600
All Quintiles	37,700	36,400	37,900	40,500	41,800	43,600	42,300	42,700	44,200	48,200	48,500
Top 10 percent	101,200	99,500	110,600	126,800	128,600	140,600	132,000	136,700	140,100	169,900	170,800
Top 5 percent	132,600	129,400	149,500	174,700	176,000	195,000	181,400	186,100	195,100	245,900	247,400
Top 1 percent	263,700	265,700	339,400	430,100	419,300	498,300	438,800	449,200	483,800	677,900	684,500

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

Table G-1c.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Income (Percent)											
<i>Pretax Income</i>											
Lowest Quintile	5.3	5.0	4.3	4.5	4.5	4.4	4.4	4.2	4.3	4.0	4.0
Second Quintile	11.1	10.7	10.1	10.0	10.1	9.9	9.9	9.7	9.6	9.0	9.0
Middle Quintile	15.8	15.7	15.4	15.1	15.1	14.9	15.3	15.0	14.8	13.9	13.9
Fourth Quintile	22.1	22.3	22.1	21.8	21.9	21.3	21.7	21.8	21.1	20.2	20.2
Highest Quintile	45.9	46.7	48.4	49.1	49.0	50.1	48.9	49.7	50.5	53.2	53.2
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	30.6	31.3	32.9	33.7	33.6	35.1	33.7	34.4	35.5	38.7	38.7
Top 5 percent	20.8	21.2	22.6	23.6	23.6	25.1	23.6	24.4	25.3	28.9	28.9
Top 1 percent	9.3	9.3	10.4	11.3	11.3	12.5	11.1	11.8	12.5	15.8	15.8
<i>After-Tax Income</i>											
Lowest Quintile	6.3	5.9	5.0	5.1	5.2	5.1	5.2	5.0	5.3	4.9	4.8
Second Quintile	12.2	11.8	11.0	10.8	11.0	10.8	10.8	10.8	10.8	10.1	10.1
Middle Quintile	16.6	16.4	16.0	15.7	15.8	15.6	16.0	15.9	15.8	14.8	14.9
Fourth Quintile	22.4	22.5	22.2	21.9	22.2	21.6	22.0	22.2	21.7	20.8	20.8
Highest Quintile	42.7	43.9	46.3	47.2	46.4	47.7	46.4	46.7	46.9	49.8	49.7
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	27.5	28.8	31.0	32.1	31.3	32.9	31.5	31.5	32.1	35.4	35.3
Top 5 percent	18.1	19.2	21.1	22.3	21.6	23.3	21.7	21.9	22.3	25.8	25.8
Top 1 percent	7.5	8.1	9.6	10.5	10.1	11.4	10.0	10.1	10.3	13.6	13.7
Minimum Adjusted Income for the Category (1997 dollars)											
Lowest Quintile	0	0	0	0	0	0	0	0	0	0	0
Second Quintile	13,000	12,200	11,300	12,300	12,700	13,200	12,900	12,800	13,400	13,700	13,700
Middle Quintile	21,100	20,100	19,400	20,700	21,700	22,300	22,000	22,000	23,000	23,600	23,600
Fourth Quintile	29,200	28,300	28,300	30,000	31,300	32,200	31,800	31,900	33,100	34,400	34,400
Highest Quintile	41,200	40,600	41,300	43,800	46,200	47,200	46,300	47,800	48,600	50,800	50,800
Top 10 percent	53,000	52,800	53,700	58,200	60,700	62,400	61,800	63,500	65,500	69,900	69,900
Top 5 percent	67,200	67,200	69,200	76,100	78,500	81,600	80,500	81,900	86,800	93,300	93,300
Top 1 percent	130,800	126,500	133,800	154,900	162,600	181,000	173,700	182,000	199,000	245,700	245,700

NOTES: (Continued)

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

a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-2a.
Effective Federal Tax Rates for Households with Children, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Total Federal Tax Rate											
Lowest Quintile	7.9	8.7	8.1	9.9	7.9	7.8	6.4	6.0	2.5	2.1	1.6
Second Quintile	15.4	16.4	15.2	16.4	16.0	16.0	15.4	14.6	14.5	14.9	12.9
Middle Quintile	19.0	20.2	18.8	19.4	18.7	19.2	19.2	19.0	19.2	19.1	17.6
Fourth Quintile	21.3	22.7	20.9	21.1	20.8	21.0	21.2	21.5	21.5	21.3	20.3
Highest Quintile	26.6	26.2	23.8	23.5	25.5	24.8	25.3	27.2	29.3	28.4	28.0
All Quintiles	21.1	21.7	20.2	20.6	21.0	20.9	20.8	21.9	22.8	22.5	21.6
Top 10 percent	28.9	27.4	24.8	24.2	27.0	25.8	26.6	29.1	31.7	30.4	29.9
Top 5 percent	31.0	28.4	25.5	24.9	28.4	26.6	27.6	30.9	33.8	31.9	31.4
Top 1 percent	35.2	30.5	27.7	26.7	31.2	27.5	29.0	34.3	37.4	34.5	33.7
Effective Individual Income Tax Rate											
Lowest Quintile	-1.1	-0.2	-0.7	-0.2	-1.9	-2.7	-3.8	-4.3	-8.3	-9.0	-9.5
Second Quintile	4.6	5.4	4.1	4.4	3.6	3.7	3.0	2.1	1.8	2.0	0.1
Middle Quintile	8.0	8.8	7.4	7.2	6.3	6.6	6.4	5.9	5.9	5.9	4.5
Fourth Quintile	10.5	11.6	9.6	9.3	8.5	8.7	8.4	8.2	8.1	8.2	7.1
Highest Quintile	16.2	16.6	14.8	14.2	15.8	15.0	14.7	15.8	16.8	17.5	17.0
All Quintiles	10.5	11.2	9.8	9.7	9.8	9.5	9.0	9.6	10.0	10.5	9.5
Top 10 percent	18.4	18.5	16.7	16.0	18.3	17.1	16.9	18.5	19.5	20.0	19.6
Top 5 percent	20.2	20.1	18.3	17.6	20.7	18.8	19.0	21.0	21.7	22.2	21.7
Top 1 percent	22.6	22.4	21.5	20.6	24.5	21.0	21.9	25.5	24.9	25.2	24.4
Effective Social Insurance Tax Rate											
Lowest Quintile	7.0	7.4	7.0	8.0	7.8	8.7	8.2	8.0	8.4	8.8	8.8
Second Quintile	9.1	9.7	9.8	10.5	10.8	10.8	10.9	10.8	10.9	11.3	11.3
Middle Quintile	9.4	10.1	10.3	10.9	11.1	11.3	11.5	11.7	11.8	11.7	11.7
Fourth Quintile	8.9	9.9	10.1	10.6	11.0	11.0	11.5	11.9	11.8	11.8	11.8
Highest Quintile	5.5	6.6	6.7	6.7	7.0	6.8	8.1	7.8	7.6	7.0	7.0
All Quintiles	7.7	8.7	8.7	9.1	9.3	9.4	9.9	9.9	9.7	9.4	9.4
Top 10 percent	4.0	5.0	5.0	5.1	5.3	5.0	6.6	6.1	6.0	5.5	5.5
Top 5 percent	2.8	3.6	3.6	3.5	3.8	3.4	5.0	4.4	4.7	4.2	4.2
Top 1 percent	1.2	1.6	1.5	1.4	1.7	1.5	2.4	1.8	2.7	2.4	2.4

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table G-2a.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Corporate Income Tax Rate											
Lowest Quintile	0.5	0.3	0.3	0.2	0.3	0.3	0.2	0.4	0.3	0.2	0.2
Second Quintile	0.6	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.4
Middle Quintile	0.7	0.4	0.3	0.3	0.5	0.4	0.4	0.4	0.5	0.5	0.5
Fourth Quintile	1.0	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.7	0.7	0.7
Highest Quintile	4.3	2.4	1.8	2.0	2.3	2.5	2.0	3.0	4.3	3.5	3.5
All Quintiles	2.0	1.1	0.9	1.0	1.2	1.2	1.0	1.5	2.2	1.8	1.8
Top 10 percent	6.0	3.5	2.6	2.7	2.9	3.3	2.6	4.0	5.8	4.4	4.4
Top 5 percent	7.5	4.3	3.2	3.3	3.6	4.1	3.2	4.9	7.0	5.2	5.2
Top 1 percent	11.0	6.2	4.4	4.4	4.8	4.7	4.4	6.4	9.6	6.7	6.7
Effective Federal Excise Tax Rate											
Lowest Quintile	1.5	1.2	1.6	1.9	1.7	1.6	1.8	1.9	2.1	2.0	2.0
Second Quintile	1.2	0.9	1.0	1.2	1.1	1.1	1.2	1.3	1.4	1.2	1.2
Middle Quintile	1.0	0.7	0.8	0.9	0.9	0.9	0.9	1.0	1.1	0.9	0.9
Fourth Quintile	0.8	0.6	0.7	0.8	0.7	0.7	0.8	0.8	0.9	0.7	0.7
Highest Quintile	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.4	0.4
All Quintiles	0.9	0.7	0.8	0.9	0.8	0.8	0.8	0.9	0.9	0.8	0.8
Top 10 percent	0.5	0.4	0.4	0.5	0.4	0.4	0.5	0.6	0.4	0.4	0.4
Top 5 percent	0.5	0.4	0.4	0.4	0.3	0.3	0.4	0.6	0.4	0.3	0.3
Top 1 percent	0.4	0.3	0.3	0.3	0.2	0.2	0.4	0.6	0.3	0.2	0.2

NOTES : (Continued)

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

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

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

- a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-2b.
Shares of Federal Tax Revenues for Households with Children, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Total Federal Taxes											
Lowest Quintile	2.3	2.5	2.4	2.9	2.3	2.3	1.9	1.6	0.6	0.5	0.4
Second Quintile	9.9	10.4	9.7	10.2	9.6	9.7	9.7	8.1	7.6	7.5	6.8
Middle Quintile	18.5	19.2	18.1	17.4	16.6	17.2	16.9	15.0	14.2	14.1	13.5
Fourth Quintile	25.5	26.9	26.1	25.3	23.9	24.6	24.6	22.9	21.0	20.6	20.4
Highest Quintile	43.6	40.8	43.5	44.0	47.4	46.2	46.8	52.4	56.7	57.4	59.0
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	29.6	25.0	28.0	29.3	32.5	31.7	31.9	37.6	42.8	44.2	45.5
Top 5 percent	21.7	16.9	20.1	20.6	24.0	23.5	22.7	27.9	34.3	35.5	36.4
Top 1 percent	10.7	7.8	10.4	11.3	13.5	13.8	11.4	16.4	22.0	22.1	22.5
Share of Individual Income Taxes											
Lowest Quintile	-0.6	-0.1	-0.4	-0.1	-1.2	-1.8	-2.7	-2.6	-4.5	-4.5	-5.2
Second Quintile	5.9	6.6	5.4	5.8	4.7	5.0	4.3	2.7	2.1	2.2	0.1
Middle Quintile	15.6	16.3	14.7	13.8	12.0	13.0	13.0	10.6	9.9	9.4	7.8
Fourth Quintile	25.4	26.7	24.8	23.7	21.1	22.2	22.5	19.8	18.1	17.0	16.3
Highest Quintile	53.6	50.5	55.6	56.8	63.3	61.5	62.9	69.5	74.4	75.8	81.1
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	38.0	32.9	39.0	41.1	47.5	46.3	47.0	54.3	60.3	62.7	67.4
Top 5 percent	28.4	23.2	29.7	31.1	37.6	36.4	36.0	43.2	50.4	53.0	56.9
Top 1 percent	13.9	11.1	16.7	18.6	22.9	23.2	19.9	27.7	33.5	34.7	36.9
Share of Social Insurance Taxes											
Lowest Quintile	5.6	5.4	4.9	5.3	5.1	5.8	5.2	4.6	4.7	4.9	4.9
Second Quintile	15.9	15.4	14.5	14.8	14.8	14.6	14.4	13.3	13.4	13.6	13.6
Middle Quintile	24.8	24.1	22.9	22.1	22.2	22.5	21.2	20.6	20.3	20.5	20.5
Fourth Quintile	29.1	29.2	29.2	28.8	28.5	28.8	28.0	28.1	27.0	27.1	27.1
Highest Quintile	24.5	25.7	28.3	28.7	29.3	28.2	31.3	33.4	34.6	34.0	34.0
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	11.1	11.3	13.2	13.9	14.5	13.7	16.5	17.5	19.0	19.2	19.2
Top 5 percent	5.3	5.3	6.6	6.7	7.3	6.7	8.6	8.9	11.1	11.3	11.3
Top 1 percent	1.0	1.0	1.3	1.3	1.6	1.7	2.0	1.9	3.7	3.6	3.6

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

**Table G-2b.
Continued**

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Corporate Income Taxes											
Lowest Quintile	1.6	1.8	1.8	1.4	1.4	1.3	1.4	1.4	0.7	0.6	0.6
Second Quintile	3.9	4.5	4.1	3.7	4.5	3.6	4.0	2.6	2.0	2.2	2.2
Middle Quintile	7.3	7.7	7.3	6.2	7.4	6.5	6.9	4.8	3.7	4.8	4.8
Fourth Quintile	12.8	13.5	12.8	11.7	12.2	12.2	12.3	9.1	7.2	7.7	7.7
Highest Quintile	74.2	72.2	73.6	76.7	73.8	79.6	75.6	82.3	86.4	86.1	86.1
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	64.8	60.5	62.9	67.7	62.7	69.2	64.7	74.2	80.3	78.6	78.6
Top 5 percent	55.8	49.2	55.7	57.1	53.2	61.8	54.8	64.0	73.9	70.5	70.5
Top 1 percent	35.5	30.3	35.9	38.6	36.8	40.3	35.8	43.9	58.2	52.7	52.7
Share of Federal Excise Taxes											
Lowest Quintile	10.8	11.2	12.5	13.5	13.2	12.5	13.2	12.5	12.4	13.9	13.9
Second Quintile	18.0	18.1	17.6	17.9	17.8	17.4	18.2	17.3	18.4	18.4	18.4
Middle Quintile	22.2	22.0	21.2	19.8	20.4	20.1	20.6	18.6	20.0	20.1	20.1
Fourth Quintile	24.2	23.8	23.2	22.5	22.0	22.6	22.0	21.1	22.1	20.7	20.7
Highest Quintile	24.2	23.8	24.4	24.4	25.0	23.9	25.1	29.0	25.9	26.0	26.0
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	13.3	12.2	13.1	13.8	13.7	12.9	14.7	18.3	14.6	15.4	15.4
Top 5 percent	8.2	7.1	8.1	8.1	7.7	7.8	9.0	12.2	9.1	9.4	9.4
Top 1 percent	2.9	2.6	2.9	3.5	2.7	3.2	3.7	6.8	3.6	3.1	3.1

NOTES : (Continued)

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

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

a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-2c.
Number of Households, Average Pretax and After-Tax Income, Shares of Pretax and After-Tax Income, and Income Category Minimums for Households with Children, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Number of Households (Millions)											
Lowest Quintile	6.9	7.2	7.5	7.8	8.1	8.3	8.5	8.8	8.4	8.7	8.7
Second Quintile	7.0	7.1	7.1	7.3	7.4	7.4	7.7	7.9	7.9	8.0	8.0
Middle Quintile	7.2	7.2	6.9	6.9	7.1	7.1	7.1	7.2	7.3	7.6	7.6
Fourth Quintile	6.5	6.4	6.3	6.5	6.4	6.6	6.5	6.7	6.8	6.9	6.9
Highest Quintile	4.5	4.4	4.5	4.8	4.9	4.7	4.9	5.5	5.6	5.5	5.5
All Quintiles	32.4	32.6	32.7	33.6	34.0	34.2	34.8	36.3	36.2	36.9	36.9
Top 10 percent	2.0	1.9	2.0	2.2	2.2	2.1	2.3	2.6	2.6	2.7	2.7
Top 5 percent	1.0	0.9	1.0	1.0	1.1	1.0	1.1	1.3	1.4	1.4	1.4
Top 1 percent	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.3	0.3
Average Income (1997 dollars)											
<i>Pretax Income</i>											
Lowest Quintile	16,200	15,000	13,700	14,800	15,100	15,800	15,300	14,800	15,800	15,900	15,900
Second Quintile	34,800	32,700	30,800	33,100	34,500	35,800	35,000	34,800	36,800	37,500	37,500
Middle Quintile	51,100	48,700	47,700	50,800	53,000	54,600	53,600	54,300	56,400	58,200	58,200
Fourth Quintile	69,600	68,000	68,300	72,100	76,000	77,900	76,800	78,500	80,400	83,100	83,100
Highest Quintile	137,900	129,000	138,500	153,300	161,700	174,100	161,800	173,900	194,800	217,900	217,900
All Quintiles	55,600	51,900	52,000	56,600	59,300	61,100	59,300	62,500	68,100	71,900	71,900
Top 10 percent	192,100	178,900	197,100	219,300	229,900	254,300	228,300	247,200	289,100	320,900	320,900
Top 5 percent	265,000	245,800	269,500	318,100	327,000	368,700	323,800	355,600	418,200	464,400	464,400
Top 1 percent	601,100	540,100	585,900	762,000	745,900	836,900	716,300	785,300	1,036,600	1,183,900	1,183,900
<i>After-Tax Income</i>											
Lowest Quintile	14,900	13,700	12,600	13,400	13,900	14,500	14,300	13,900	15,400	15,600	15,600
Second Quintile	29,400	27,400	26,100	27,600	29,000	30,100	29,600	29,700	31,500	31,900	32,700
Middle Quintile	41,400	38,900	38,700	41,000	43,100	44,100	43,300	44,000	45,500	47,100	47,900
Fourth Quintile	54,800	52,600	54,100	56,800	60,200	61,500	60,500	61,600	63,100	65,400	66,300
Highest Quintile	101,300	95,300	105,500	117,300	120,500	131,000	120,900	126,600	137,700	156,000	157,000
All Quintiles	43,900	40,600	41,500	44,900	46,800	48,300	47,000	48,900	52,500	55,700	56,400
Top 10 percent	136,600	129,900	148,300	166,100	167,900	188,600	167,600	175,200	197,500	223,500	224,900
Top 5 percent	182,800	176,100	200,800	239,000	234,000	270,400	234,300	245,600	277,000	316,200	318,600
Top 1 percent	389,600	375,400	423,400	558,700	513,200	606,700	508,800	516,200	648,800	776,000	785,100

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

Table G-2c.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under Current Law	Under 2001 Law
Share of Income (Percent)											
<i>Pretax Income</i>											
Lowest Quintile	6.2	6.4	6.1	6.1	6.1	6.3	6.3	5.7	5.4	5.2	5.2
Second Quintile	13.6	13.7	12.8	12.8	12.7	12.7	13.1	12.1	11.9	11.4	11.4
Middle Quintile	20.5	20.7	19.4	18.4	18.7	18.6	18.3	17.3	16.8	16.6	16.6
Fourth Quintile	25.3	25.8	25.2	24.6	24.1	24.4	24.1	23.2	22.2	21.7	21.7
Highest Quintile	34.6	33.9	36.9	38.6	39.1	38.9	38.5	42.2	44.1	45.5	45.5
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	21.6	19.8	22.8	24.9	25.4	25.6	25.0	28.2	30.8	32.8	32.8
Top 5 percent	14.7	12.9	15.9	17.1	17.7	18.4	17.0	19.7	23.2	25.0	25.0
Top 1 percent	6.4	5.5	7.6	8.7	9.1	10.5	8.2	10.4	13.4	14.4	14.4
<i>After-Tax Income</i>											
Lowest Quintile	7.2	7.4	7.0	6.9	7.1	7.3	7.4	6.8	6.8	6.6	6.5
Second Quintile	14.6	14.7	13.6	13.4	13.5	13.5	13.9	13.2	13.1	12.5	12.6
Middle Quintile	21.0	21.1	19.8	18.7	19.2	19.0	18.7	17.9	17.6	17.3	17.4
Fourth Quintile	25.2	25.4	25.0	24.4	24.2	24.3	24.0	23.4	22.6	22.0	22.1
Highest Quintile	32.2	32.0	35.2	37.2	36.9	37.0	36.3	39.4	40.4	42.0	41.8
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	19.4	18.4	21.5	23.7	23.4	24.0	23.2	25.6	27.2	29.4	29.3
Top 5 percent	12.8	11.8	14.9	16.1	16.1	17.1	15.6	17.4	19.9	22.0	21.9
Top 1 percent	5.3	4.9	6.9	8.1	7.9	9.6	7.3	8.8	10.9	12.2	12.2
Minimum Adjusted Income for the Category (1997 dollars)											
Lowest Quintile	0	0	0	0	0	0	0	0	0	0	0
Second Quintile	13000	12200	11300	12300	12700	13200	12900	12800	13400	13700	13700
Middle Quintile	21100	20100	19400	20700	21700	22300	22000	22000	23000	23600	23600
Fourth Quintile	29200	28300	28300	30000	31300	32200	31800	31900	33100	34400	34400
Highest Quintile	41200	40600	41300	43800	46200	47200	46300	47800	48600	50800	50800
Top 10 percent	53000	52800	53700	58200	60700	62400	61800	63500	65500	69900	69900
Top 5 percent	67200	67200	69200	76100	78500	81600	80500	81900	86800	93300	93300
Top 1 percent	130800	126500	133800	154900	162600	181000	173700	182000	199000	245700	245700

NOTES : (Continued)

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

- a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-3a.
Effective Federal Tax Rates for Elderly Households, by Income Quintile, Using
Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Total Federal Tax Rate											
Lowest Quintile	5.1	3.5	3.1	4.4	4.6	3.1	4.7	5.0	4.1	5.1	5.1
Second Quintile	7.0	4.8	4.1	5.3	5.7	5.3	5.4	5.6	6.0	5.8	5.8
Middle Quintile	12.0	9.1	7.9	8.9	9.1	9.0	8.6	8.7	9.5	9.1	9.1
Fourth Quintile	17.0	14.5	12.4	12.8	13.5	13.5	12.9	13.5	14.5	14.3	14.4
Highest Quintile	29.8	26.4	22.2	22.7	24.8	24.4	22.9	24.6	26.9	25.8	25.5
All Quintiles	19.6	17.6	15.0	15.8	17.1	17.0	15.7	16.5	18.3	18.7	18.5
Top 10 percent	32.7	28.8	24.3	24.6	27.0	26.3	24.8	27.1	29.2	27.5	27.1
Top 5 percent	35.5	30.8	25.9	25.9	28.3	27.5	26.3	29.0	31.0	29.0	28.6
Top 1 percent	42.3	34.5	28.4	27.6	30.7	29.1	28.4	32.2	34.4	30.4	29.9
Effective Individual Income Tax Rate											
Lowest Quintile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
Second Quintile	0.3	0.5	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.4
Middle Quintile	2.2	2.4	2.1	2.3	1.9	2.3	2.3	1.8	2.0	2.1	2.1
Fourth Quintile	5.0	5.8	4.9	5.1	4.8	5.3	5.3	4.9	5.3	5.5	5.6
Highest Quintile	13.5	15.2	12.8	13.2	13.1	13.1	12.2	11.7	12.8	13.2	12.9
All Quintiles	7.3	8.9	7.6	7.8	7.8	8.1	7.3	6.8	7.6	8.5	8.4
Top 10 percent	15.5	17.2	14.6	14.9	14.8	14.5	13.5	13.3	14.1	14.3	13.9
Top 5 percent	17.5	18.9	16.0	16.1	16.0	15.4	14.3	14.5	15.1	15.2	14.8
Top 1 percent	22.4	21.9	18.5	17.7	18.4	16.6	15.5	16.3	16.7	16.3	15.8
Effective Social Insurance Tax Rate											
Lowest Quintile	0.5	0.4	0.5	0.4	0.5	0.4	0.5	0.5	0.4	0.4	0.4
Second Quintile	1.3	1.2	1.0	1.0	1.1	1.1	1.2	1.1	1.2	1.1	1.1
Middle Quintile	2.3	2.2	2.0	2.0	1.9	1.8	1.8	1.8	1.6	1.8	1.8
Fourth Quintile	3.0	3.0	2.6	2.7	2.5	2.8	2.5	2.8	2.9	2.7	2.7
Highest Quintile	2.3	2.1	2.1	2.4	2.2	2.5	2.7	2.9	3.0	2.3	2.3
All Quintiles	2.1	2.0	2.0	2.1	2.0	2.2	2.2	2.4	2.4	2.1	2.1
Top 10 percent	1.9	1.8	1.8	2.0	1.9	2.2	2.5	2.6	2.7	2.1	2.1
Top 5 percent	1.5	1.5	1.5	1.6	1.6	1.7	2.1	2.4	2.4	1.7	1.7
Top 1 percent	0.8	0.8	0.9	0.9	0.9	1.0	1.0	1.4	1.5	1.0	1.0

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table G-3a.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Corporate Income Tax Rate											
Lowest Quintile	1.7	0.9	0.8	0.8	1.0	1.0	0.9	1.2	1.1	1.0	1.0
Second Quintile	3.9	1.9	1.3	1.6	2.2	2.0	1.7	2.0	2.1	1.9	1.9
Middle Quintile	6.4	3.5	2.7	3.1	3.9	3.6	3.0	3.4	3.9	3.5	3.5
Fourth Quintile	7.9	4.9	3.8	3.9	5.1	4.4	3.9	4.5	4.9	4.8	4.8
Highest Quintile	13.2	8.5	6.7	6.5	8.8	8.2	7.3	9.1	10.1	9.5	9.5
All Quintiles	9.0	5.8	4.6	4.6	6.2	5.8	5.0	6.0	6.8	6.8	6.8
Top 10 percent	14.6	9.3	7.3	7.0	9.6	9.0	8.2	10.4	11.5	10.5	10.5
Top 5 percent	15.9	10.0	7.8	7.6	10.2	9.8	9.3	11.4	12.9	11.5	11.5
Top 1 percent	18.6	11.4	8.7	8.5	11.0	11.1	11.5	14.0	15.5	12.7	12.7
Effective Federal Excise Tax Rate											
Lowest Quintile	2.9	2.2	1.8	3.1	3.1	1.7	3.3	3.4	2.6	3.8	3.8
Second Quintile	1.5	1.3	1.4	2.3	2.1	1.6	2.1	2.2	2.3	2.4	2.4
Middle Quintile	1.2	0.9	1.2	1.5	1.5	1.3	1.5	1.6	1.9	1.6	1.6
Fourth Quintile	1.1	0.8	1.0	1.2	1.1	1.1	1.2	1.3	1.5	1.3	1.3
Highest Quintile	0.7	0.6	0.6	0.7	0.7	0.6	0.7	0.8	0.9	0.7	0.7
All Quintiles	1.2	0.9	0.9	1.2	1.1	1.0	1.2	1.3	1.4	1.2	1.2
Top 10 percent	0.7	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.8	0.7	0.7
Top 5 percent	0.6	0.5	0.5	0.6	0.5	0.5	0.5	0.7	0.8	0.6	0.6
Top 1 percent	0.5	0.4	0.4	0.5	0.4	0.4	0.4	0.5	0.6	0.4	0.4

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

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Quintiles contain equal numbers of people. Households with negative income are excluded from the lowest income category but are included in totals.

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

- a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-3b.
Shares of Federal Tax Revenues for Elderly Households, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Total Federal Taxes											
Lowest Quintile	2.3	1.3	0.9	1.4	1.2	0.8	1.4	1.3	1.0	1.0	1.0
Second Quintile	5.3	3.6	3.5	3.9	3.8	3.4	3.7	3.9	3.6	2.9	3.0
Middle Quintile	8.7	7.2	8.0	8.9	8.5	8.1	9.5	9.0	8.7	7.0	7.0
Fourth Quintile	13.9	14.0	15.0	15.3	14.5	14.4	16.4	16.9	15.3	13.8	14.0
Highest Quintile	69.6	73.7	72.5	70.5	72.0	73.2	69.0	68.9	71.4	75.3	75.0
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	57.0	61.7	59.0	57.2	58.6	61.2	55.0	53.6	57.4	61.7	61.3
Top 5 percent	46.7	51.6	48.4	45.7	48.6	51.9	42.3	44.2	45.3	50.1	49.8
Top 1 percent	28.8	30.5	27.7	23.2	28.7	30.1	23.7	25.1	25.7	32.1	31.8
Share of Individual Income Taxes											
Lowest Quintile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Second Quintile	0.7	0.8	0.7	0.6	0.5	0.7	0.7	0.6	0.6	0.5	0.5
Middle Quintile	4.2	3.8	4.2	4.7	4.0	4.4	5.6	4.6	4.5	3.5	3.5
Fourth Quintile	10.9	11.2	12.0	12.2	11.3	11.8	14.7	14.9	13.3	11.7	12.1
Highest Quintile	84.2	84.2	83.1	82.5	84.2	83.0	79.0	79.9	81.6	84.4	83.9
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	72.3	73.1	70.5	69.6	71.2	71.2	64.5	64.0	66.7	70.2	69.6
Top 5 percent	61.4	62.6	59.5	57.3	60.7	61.3	49.8	53.8	52.9	57.4	56.8
Top 1 percent	40.7	38.4	35.8	30.0	38.0	36.2	27.8	30.9	30.1	37.8	37.2
Share of Social Insurance Taxes											
Lowest Quintile	2.2	1.3	1.2	0.9	1.0	0.8	1.0	0.9	0.8	0.7	0.7
Second Quintile	9.0	7.6	6.6	5.4	6.3	5.8	5.6	5.1	5.2	4.9	4.9
Middle Quintile	15.4	15.1	15.1	14.6	14.9	12.4	14.2	13.4	11.3	12.3	12.3
Fourth Quintile	22.9	24.7	24.4	24.0	23.2	23.3	22.5	24.6	22.8	22.7	22.7
Highest Quintile	50.4	51.2	52.7	55.2	54.7	57.7	56.7	56.0	59.8	59.5	59.5
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	31.7	34.0	34.5	35.6	35.2	39.5	38.5	36.4	40.1	40.3	40.3
Top 5 percent	19.0	21.5	22.0	20.8	23.5	25.5	23.3	25.8	25.8	26.3	26.3
Top 1 percent	5.2	6.4	7.0	5.6	7.2	7.9	6.1	7.4	8.7	9.3	9.3

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table G-3b.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Corporate Income Taxes											
Lowest Quintile	1.7	1.0	0.8	0.9	0.7	0.7	0.8	0.9	0.7	0.5	0.5
Second Quintile	6.4	4.3	3.6	4.2	4.0	3.9	3.6	3.7	3.4	2.6	2.6
Middle Quintile	10.1	8.5	8.9	10.6	9.8	9.4	10.4	9.7	9.8	7.5	7.5
Fourth Quintile	14.2	14.2	15.3	15.8	15.1	13.8	15.5	15.5	13.9	12.7	12.7
Highest Quintile	67.5	71.9	71.4	68.5	70.4	72.0	69.6	70.1	72.3	76.6	76.6
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	55.5	60.0	58.2	56.0	57.6	61.8	57.5	56.5	61.0	64.9	64.9
Top 5 percent	45.5	50.7	48.1	45.9	48.1	54.3	47.4	47.6	50.5	54.9	54.9
Top 1 percent	27.6	30.4	27.7	24.6	28.3	33.8	30.2	30.0	31.2	37.1	37.1
Share of Federal Excise Taxes											
Lowest Quintile	22.1	17.2	8.9	12.8	12.0	7.5	12.5	11.0	8.0	11.4	11.4
Second Quintile	19.6	19.4	19.8	22.1	20.5	18.0	18.5	18.9	18.1	18.1	18.1
Middle Quintile	14.7	14.8	19.0	19.4	20.1	20.9	21.0	20.9	22.1	18.8	18.8
Fourth Quintile	14.7	16.1	19.5	17.8	18.1	20.0	19.7	19.8	19.7	18.9	18.9
Highest Quintile	28.9	32.4	32.7	27.7	29.3	33.6	28.2	29.2	32.0	32.7	32.7
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	19.2	22.4	21.0	19.1	19.3	23.4	17.9	18.4	21.0	22.1	22.1
Top 5 percent	13.0	16.0	14.3	13.6	13.6	17.4	11.2	12.9	14.1	14.9	14.9
Top 1 percent	5.7	6.8	5.6	5.1	5.5	7.2	4.4	5.2	5.5	5.7	5.7

NOTES : (Continued)

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

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

- a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-3c.
Number of Households, Average Pretax and After-Tax Income, Share of Pretax and After-Tax Income, and Income Category Minimums for Elderly Households, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Number of Households (Millions)											
Lowest Quintile	5.3	4.7	3.8	4.2	4.0	4.2	4.5	4.3	4.5	4.5	4.5
Second Quintile	4.1	4.3	4.6	4.5	4.7	4.8	4.5	4.7	4.8	4.6	4.6
Middle Quintile	2.5	2.8	3.3	3.7	4.0	4.1	4.5	4.4	4.6	4.4	4.4
Fourth Quintile	2.0	2.4	2.8	2.9	3.2	3.3	3.6	3.5	3.5	3.7	3.7
Highest Quintile	2.4	2.8	3.1	3.1	3.3	3.3	3.4	3.2	3.4	3.8	3.8
All Quintiles	16.3	17.0	17.6	18.4	19.2	19.8	20.5	20.2	20.9	21.0	21.0
Top 10 percent	1.4	1.7	1.7	1.8	1.8	1.8	1.8	1.6	1.9	2.0	2.0
Top 5 percent	0.8	1.0	1.0	1.0	1.1	1.1	0.9	0.9	1.0	1.0	1.0
Top 1 percent	0.2	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Average Income (1997 dollars)											
<i>Pretax Income</i>											
Lowest Quintile	9,700	9,300	8,400	9,100	9,600	9,700	9,300	9,100	9,400	9,500	9,500
Second Quintile	21,000	19,900	18,900	20,100	21,200	21,800	21,400	21,500	22,300	22,900	22,900
Middle Quintile	32,900	31,600	31,000	32,800	34,100	34,900	34,900	34,900	35,700	37,200	37,200
Fourth Quintile	46,800	45,600	45,700	49,100	50,600	51,800	51,100	52,300	53,300	55,300	55,300
Highest Quintile	107,600	110,800	108,700	120,000	130,700	145,200	126,600	128,800	137,300	162,400	162,400
All Quintiles	35,200	37,700	39,000	41,700	45,100	47,800	44,200	44,300	46,700	54,000	54,000
Top 10 percent	138,200	143,700	143,500	160,300	178,900	202,700	172,600	182,300	186,800	233,300	233,300
Top 5 percent	180,600	180,200	188,400	210,700	240,900	265,700	243,400	245,400	263,600	354,400	354,400
Top 1 percent	357,800	326,900	388,500	521,700	544,900	667,200	620,200	633,200	632,000	949,400	949,400
<i>After-Tax Income</i>											
Lowest Quintile	9,200	9,000	8,200	8,700	9,100	9,400	8,800	8,600	9,000	9,000	9,000
Second Quintile	19,500	18,900	18,100	19,100	20,000	20,700	20,300	20,300	21,000	21,500	21,500
Middle Quintile	29,000	28,800	28,500	29,900	31,000	31,800	31,900	31,900	32,300	33,800	33,800
Fourth Quintile	38,900	39,000	40,100	42,800	43,800	44,800	44,600	45,300	45,600	47,400	47,300
Highest Quintile	75,500	81,500	84,600	92,800	98,300	109,700	97,600	97,200	100,400	120,500	121,000
All Quintiles	28,300	31,000	33,100	35,200	37,400	39,600	37,300	36,900	38,200	43,900	44,000
Top 10 percent	93,000	102,300	108,600	120,900	130,700	149,400	129,800	132,900	132,300	169,200	170,000
Top 5 percent	116,500	124,600	139,700	156,200	172,800	192,700	179,400	174,300	181,800	251,700	253,000
Top 1 percent	206,500	214,200	278,200	377,600	377,700	473,000	444,100	429,600	414,900	661,200	665,800

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

Table G-3c.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Income (Percent)											
<i>Pretax Income</i>											
Lowest Quintile	9.0	6.8	4.6	5.0	4.5	4.3	4.6	4.4	4.3	3.7	3.7
Second Quintile	14.9	13.3	12.8	11.7	11.4	11.1	10.8	11.3	11.1	9.3	9.3
Middle Quintile	14.2	14.0	15.1	15.7	15.9	15.3	17.4	17.2	16.9	14.4	14.4
Fourth Quintile	16.1	17.0	18.3	18.8	18.4	18.2	20.1	20.7	19.3	18.0	18.0
Highest Quintile	45.8	49.0	49.2	48.9	49.8	51.0	47.2	46.4	48.5	54.5	54.5
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	34.2	37.7	36.5	36.6	37.2	39.7	34.8	32.7	36.0	41.9	41.9
Top 5 percent	25.8	29.4	28.1	27.8	29.4	32.1	25.3	25.2	26.7	32.2	32.2
Top 1 percent	13.4	15.5	14.7	13.2	16.0	17.6	13.1	12.9	13.7	19.8	19.8
<i>After-Tax Income</i>											
Lowest Quintile	10.6	7.9	5.3	5.6	5.1	5.0	5.2	5.0	5.1	4.4	4.4
Second Quintile	17.3	15.3	14.4	13.1	13.0	12.7	12.1	12.8	12.7	10.8	10.8
Middle Quintile	15.6	15.4	16.4	16.9	17.4	16.8	18.9	18.9	18.7	16.1	16.0
Fourth Quintile	16.6	17.7	18.9	19.5	19.3	19.0	20.7	21.5	20.1	19.0	18.9
Highest Quintile	40.0	43.8	45.0	44.9	45.2	46.5	43.2	41.9	43.4	49.8	49.9
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	28.6	32.5	32.5	32.8	32.8	35.2	31.0	28.5	31.2	37.3	37.5
Top 5 percent	20.7	24.7	24.6	24.5	25.5	28.1	22.1	21.5	22.5	28.2	28.3
Top 1 percent	9.6	12.4	12.4	11.4	13.4	15.1	11.1	10.5	11.0	16.9	17.0
Minimum Adjusted Income for the Category (1997 dollars)											
Lowest Quintile	0	0	0	0	0	0	0	0	0	0	0
Second Quintile	13000	12200	11300	12300	12700	13200	12900	12800	13400	13700	13700
Middle Quintile	21100	20100	19400	20700	21700	22300	22000	22000	23000	23600	23600
Fourth Quintile	29200	28300	28300	30000	31300	32200	31800	31900	33100	34400	34400
Highest Quintile	41200	40600	41300	43800	46200	47200	46300	47800	48600	50800	50800
Top 10 percent	53000	52800	53700	58200	60700	62400	61800	63500	65500	69900	69900
Top 5 percent	67200	67200	69200	76100	78500	81600	80500	81900	86800	93300	93300
Top 1 percent	130800	126500	133800	154900	162600	181000	173700	182000	199000	245700	245700

NOTES: (Continued)

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

a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-4a.
Effective Federal Tax Rates for Nonelderly Childless Households, by Income Quintile,
Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Total Federal Tax Rate											
Lowest Quintile	11.8	11.9	11.7	13.3	13.9	13.5	13.5	12.8	13.5	12.4	12.3
Second Quintile	16.3	16.8	15.6	17.2	17.1	17.6	17.7	17.0	17.3	17.2	16.9
Middle Quintile	19.6	20.5	18.9	19.8	19.9	20.1	20.1	19.8	20.2	20.0	19.8
Fourth Quintile	22.3	23.3	21.3	21.8	21.6	22.1	22.1	22.0	22.3	22.1	21.9
Highest Quintile	28.0	27.9	24.2	24.1	25.6	25.6	25.8	27.2	28.1	28.0	27.7
All Quintiles	24.7	25.1	22.3	22.6	23.4	23.6	23.6	24.3	24.9	24.9	24.6
Top 10 percent	29.8	28.8	24.7	24.5	26.6	26.3	26.7	28.4	29.7	29.5	29.2
Top 5 percent	31.8	29.7	25.0	24.6	27.4	27.0	27.4	29.8	31.5	30.9	30.5
Top 1 percent	36.4	31.0	25.4	25.0	28.4	28.2	29.0	32.8	36.3	33.9	33.3
Effective Individual Income Tax Rate											
Lowest Quintile	1.0	1.6	1.3	1.6	1.4	1.4	1.2	0.4	0.0	-0.5	-0.6
Second Quintile	5.2	5.8	4.8	5.3	4.9	5.2	5.1	4.2	4.3	4.3	4.0
Middle Quintile	8.2	9.1	7.6	7.7	7.5	7.5	7.4	7.0	7.1	7.2	6.9
Fourth Quintile	10.9	11.8	9.9	9.8	9.2	9.4	9.3	8.9	9.0	9.0	8.7
Highest Quintile	16.3	17.2	14.1	13.7	14.4	14.5	14.4	14.9	15.4	16.3	16.0
All Quintiles	13.2	14.1	11.6	11.5	11.6	11.8	11.6	11.7	12.0	12.6	12.4
Top 10 percent	18.0	18.6	15.2	14.8	15.9	15.9	15.7	16.5	17.3	18.3	18.0
Top 5 percent	19.6	19.9	16.3	15.8	17.3	17.5	17.1	18.4	19.5	20.3	20.0
Top 1 percent	22.2	21.8	17.9	17.5	19.2	19.9	20.2	22.6	25.1	24.6	24.0
Effective Social Insurance Tax Rate											
Lowest Quintile	6.6	7.3	7.1	7.7	8.0	8.6	8.7	8.5	9.0	8.7	8.7
Second Quintile	8.2	8.8	8.6	9.7	9.7	10.2	10.5	10.2	10.2	10.4	10.4
Middle Quintile	8.9	9.6	9.6	10.3	10.3	10.8	10.8	10.7	11.0	11.0	11.0
Fourth Quintile	9.2	9.9	9.8	10.4	10.6	10.9	11.1	11.2	11.4	11.3	11.3
Highest Quintile	6.6	7.4	7.5	7.7	8.0	8.1	8.6	8.7	9.1	8.0	8.0
All Quintiles	7.5	8.3	8.3	8.7	9.0	9.2	9.5	9.6	9.9	9.2	9.2
Top 10 percent	5.6	6.3	6.5	6.5	6.9	6.9	7.5	7.5	8.1	6.7	6.7
Top 5 percent	4.1	4.9	4.9	4.9	5.4	5.2	6.0	6.0	6.5	5.3	5.3
Top 1 percent	1.8	2.0	1.9	1.9	2.1	1.8	2.7	2.4	3.4	2.6	2.6

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table G-4a.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 1997 Law
Effective Corporate Income Tax Rate											
Lowest Quintile	1.5	0.9	0.8	0.7	0.8	0.9	0.7	0.8	0.7	0.7	0.7
Second Quintile	1.3	0.9	0.7	0.6	0.8	0.7	0.6	0.8	0.8	0.7	0.7
Middle Quintile	1.1	0.8	0.8	0.7	0.9	0.7	0.7	0.9	0.7	0.7	0.7
Fourth Quintile	1.2	0.9	0.8	0.8	1.0	1.0	0.8	0.9	0.9	0.9	0.9
Highest Quintile	4.2	2.7	2.0	2.2	2.6	2.5	2.3	3.0	3.0	3.2	3.2
All Quintiles	3.0	1.9	1.5	1.6	1.9	1.8	1.7	2.1	2.1	2.2	2.2
Top 10 percent	5.5	3.4	2.5	2.7	3.3	3.1	3.0	3.8	3.8	4.0	4.0
Top 5 percent	7.4	4.4	3.3	3.5	4.3	3.9	3.8	4.9	5.0	5.0	5.0
Top 1 percent	11.8	6.8	5.2	5.3	6.8	6.1	5.8	7.4	7.5	6.5	6.5
Effective Federal Excise Tax Rate											
Lowest Quintile	2.7	2.1	2.6	3.2	3.7	2.5	2.9	3.0	3.8	3.5	3.5
Second Quintile	1.6	1.3	1.4	1.6	1.6	1.5	1.6	1.7	2.0	1.8	1.8
Middle Quintile	1.3	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.4	1.1	1.1
Fourth Quintile	1.0	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.1	0.9	0.9
Highest Quintile	0.8	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5
All Quintiles	1.0	0.8	0.8	0.9	0.9	0.8	0.9	0.9	1.0	0.8	0.8
Top 10 percent	0.7	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4
Top 5 percent	0.7	0.5	0.5	0.4	0.4	0.4	0.4	0.5	0.5	0.3	0.3
Top 1 percent	0.6	0.4	0.5	0.3	0.3	0.3	0.3	0.4	0.3	0.2	0.2

NOTES: (Continued)

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

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

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

- a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-4b.
Shares of Federal Tax Revenues for Nonelderly Childless Households, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Total Federal Tax Revenues											
Lowest Quintile	1.4	1.3	1.3	1.6	1.7	1.6	1.5	1.4	1.7	1.4	1.4
Second Quintile	4.5	4.4	4.4	5.0	5.1	5.1	5.0	4.6	4.6	4.5	4.5
Middle Quintile	8.7	9.1	9.7	10.2	9.5	9.6	9.8	9.5	9.4	8.8	8.7
Fourth Quintile	18.7	19.3	19.7	19.4	19.5	18.4	18.9	18.7	18.6	17.3	17.3
Highest Quintile	66.7	65.7	64.8	63.7	64.2	65.3	64.8	65.7	65.6	67.9	68.0
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 Percent	47.6	46.6	46.0	44.8	46.0	46.8	46.7	48.3	48.2	51.3	51.3
Top 5 Percent	33.3	31.4	30.3	30.8	31.5	32.6	33.6	35.3	34.2	38.8	38.7
Top 1 Percent	16.2	13.2	13.2	14.3	13.9	14.7	15.9	17.3	16.0	21.0	20.8
Share of Individual Income Tax Revenues											
Lowest Quintile	0.2	0.3	0.3	0.4	0.4	0.3	0.3	0.1	0.0	-0.1	-0.1
Second Quintile	2.7	2.7	2.6	3.0	3.0	3.0	2.9	2.4	2.4	2.2	2.1
Middle Quintile	6.9	7.2	7.5	7.9	7.2	7.2	7.3	7.0	6.9	6.2	6.1
Fourth Quintile	17.1	17.5	17.4	17.1	16.7	15.6	16.2	15.8	15.6	13.9	13.8
Highest Quintile	73.1	72.3	72.2	71.5	72.8	74.0	73.3	74.7	75.0	77.8	78.1
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 Percent	54.0	53.4	54.1	53.4	55.4	56.6	56.1	58.5	58.6	62.8	63.0
Top 5 Percent	38.6	37.4	37.9	39.0	40.1	42.2	42.8	45.4	44.3	50.4	50.4
Top 1 Percent	18.6	16.5	17.8	19.8	18.9	20.7	22.6	24.8	23.1	30.1	29.9
Share of Social Insurance Tax Revenues											
Lowest Quintile	2.6	2.5	2.1	2.3	2.5	2.6	2.5	2.4	2.9	2.7	2.7
Second Quintile	7.4	7.0	6.5	7.4	7.5	7.6	7.3	7.0	6.8	7.4	7.4
Middle Quintile	13.0	13.0	13.2	13.7	12.8	13.3	13.1	13.0	12.9	13.0	13.0
Fourth Quintile	25.1	24.8	24.4	23.9	24.8	23.3	23.6	24.2	23.9	24.1	24.1
Highest Quintile	51.8	52.6	53.7	52.5	52.3	53.2	53.5	53.3	53.4	52.8	52.8
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 Percent	29.1	31.0	32.2	30.8	31.1	31.5	32.6	32.3	32.9	31.7	31.7
Top 5 Percent	14.2	15.7	15.9	16.0	16.2	16.2	18.4	18.0	17.9	17.9	17.9
Top 1 Percent	2.6	2.6	2.6	2.9	2.7	2.5	3.6	3.3	3.8	4.3	4.3

SOURCE: Congressional Budget Office.

Table G-4b.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Corporate Income Tax Revenues											
Lowest Quintile	1.5	1.3	1.2	1.2	1.1	1.3	1.1	1.0	1.0	0.8	0.8
Second Quintile	2.9	3.0	2.9	2.4	2.9	2.8	2.3	2.4	2.5	2.0	2.0
Middle Quintile	4.1	4.7	5.7	4.9	5.3	4.4	4.9	4.7	4.1	3.6	3.6
Fourth Quintile	8.5	9.3	10.7	10.1	10.6	10.4	9.9	8.6	8.6	7.6	7.6
Highest Quintile	82.7	81.6	79.1	81.3	80.2	80.9	81.6	83.0	83.7	85.8	85.8
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	72.4	70.9	68.6	71.1	69.5	70.5	72.7	75.5	74.5	78.0	78.0
Top 5 percent	63.3	60.1	58.8	62.5	59.3	61.2	65.0	67.2	65.0	69.2	69.2
Top 1 percent	43.2	37.3	39.5	43.2	40.5	41.2	44.8	45.3	39.9	45.0	45.0
Share of Federal Excise Tax Revenues											
Lowest Quintile	8.0	7.6	7.6	9.9	12.0	8.5	9.0	8.8	11.9	12.1	12.1
Second Quintile	10.7	10.8	10.6	12.4	12.9	12.3	12.1	12.6	13.0	14.2	14.2
Middle Quintile	13.7	14.4	13.8	15.3	14.1	14.8	15.4	15.9	15.4	14.7	14.7
Fourth Quintile	20.8	20.8	20.3	20.4	21.7	21.5	22.1	21.3	21.7	21.0	21.0
Highest Quintile	46.0	45.1	46.6	39.6	37.6	41.4	40.2	39.9	36.4	36.8	36.8
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	28.3	28.5	28.4	24.1	22.7	24.6	24.5	24.9	21.8	21.9	21.9
Top 5 percent	17.1	17.1	17.3	14.3	12.5	14.1	15.0	15.7	12.2	12.6	12.6
Top 1 percent	6.2	5.6	6.3	4.4	3.3	4.0	4.7	5.6	3.2	3.7	3.7

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

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

a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Table G-4c.
Number of Households, Average Pretax and After-Tax Income, Shares of Pretax and After-Tax Income, and Income Category Minimums for Nonelderly Childless Households, by Income Quintile, Using Comprehensive Household Income Adjusted for Household Size, 1979-1997

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Number of Households (Millions)											
Lowest Quintile	5.6	6.0	6.0	6.4	7.2	7.2	7.3	7.7	8.8	9.2	9.2
Second Quintile	5.0	5.3	5.6	6.1	6.5	6.9	6.8	6.9	6.8	7.6	7.6
Middle Quintile	5.4	5.8	6.3	6.7	6.5	7.1	7.3	7.5	7.4	7.8	7.8
Fourth Quintile	6.9	7.3	7.4	7.8	8.2	8.1	8.6	8.7	8.7	9.1	9.1
Highest Quintile	9.6	10.0	10.2	10.2	10.3	11.1	10.9	10.5	10.8	11.0	11.0
All Quintiles	32.7	34.7	35.9	37.5	38.9	40.6	41.3	41.6	42.7	45.0	45.0
Top 10 percent	4.9	5.3	5.5	5.3	5.3	5.7	5.7	5.5	5.6	5.6	5.6
Top 5 percent	2.4	2.6	2.6	2.6	2.6	2.7	2.9	2.8	2.7	2.7	2.7
Top 1 percent	0.5	0.5	0.4	0.5	0.4	0.4	0.5	0.5	0.4	0.4	0.4
Average Income (1997 dollars)											
<i>Pretax Income</i>											
Lowest Quintile	8,300	7,800	6,900	7,800	7,900	8,300	8,000	7,800	8,200	8,100	8,100
Second Quintile	21,200	20,200	19,200	20,500	21,400	21,900	21,500	21,200	22,300	22,800	22,800
Middle Quintile	32,200	31,400	30,900	33,100	34,200	35,200	34,500	34,200	35,700	36,800	36,800
Fourth Quintile	47,500	46,400	47,200	49,200	51,800	53,200	51,900	52,600	54,300	56,500	56,500
Highest Quintile	96,600	96,200	100,200	111,100	114,700	120,500	119,700	123,600	123,000	144,000	144,000
All Quintiles	48,200	46,900	47,600	50,600	51,700	54,400	53,400	53,200	53,300	58,600	58,600
Top 10 percent	126,700	123,600	129,700	149,200	152,100	162,800	161,600	167,100	164,700	204,500	204,500
Top 5 percent	171,700	164,200	178,000	207,800	210,400	229,200	223,000	232,100	231,000	299,700	299,700
Top 1 percent	373,900	374,400	447,100	522,900	544,200	623,500	568,700	615,200	613,600	929,900	929,900
<i>After-Tax Income</i>											
Lowest Quintile	7,400	6,800	6,100	6,800	6,800	7,200	6,900	6,800	7,100	7,100	7,100
Second Quintile	17,700	16,800	16,200	17,000	17,700	18,000	17,700	17,600	18,400	18,800	18,900
Middle Quintile	25,900	24,900	25,100	26,500	27,400	28,100	27,600	27,500	28,500	29,400	29,500
Fourth Quintile	36,900	35,600	37,100	38,500	40,600	41,400	40,400	41,000	42,200	44,000	44,100
Highest Quintile	69,500	69,400	76,000	84,300	85,300	89,600	88,800	90,000	88,500	103,700	104,000
All Quintiles	36,300	35,100	37,000	39,200	39,700	41,600	40,800	40,200	40,000	44,000	44,100
Top 10 percent	89,000	88,000	97,700	112,700	111,600	120,000	118,500	119,600	115,800	144,200	144,800
Top 5 percent	117,000	115,500	133,500	156,700	152,800	167,200	161,900	162,900	158,300	207,100	208,200
Top 1 percent	237,800	258,500	333,400	392,300	389,800	447,800	404,000	413,100	391,000	614,200	620,100

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Pretax comprehensive household income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and in-kind benefits. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. For purposes of ranking by adjusted household income, income for each household is divided by the square root of household size. Households with negative income are excluded from the lowest income category but are included in totals.

Table G-4c.
Continued

Income Category ^a	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Income (Percent)											
<i>Pretax Income</i>											
Lowest Quintile	3.0	2.9	2.5	2.6	2.8	2.7	2.7	2.7	3.2	2.8	2.8
Second Quintile	6.8	6.6	6.3	6.6	6.9	6.8	6.6	6.6	6.6	6.5	6.5
Middle Quintile	11.0	11.2	11.5	11.6	11.1	11.3	11.5	11.7	11.6	10.9	10.9
Fourth Quintile	20.7	20.8	20.6	20.1	21.1	19.6	20.2	20.7	20.8	19.5	19.5
Highest Quintile	58.9	59.2	59.6	59.7	58.5	60.3	59.3	58.8	58.2	60.4	60.4
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	39.5	40.6	41.4	41.4	40.4	42.1	41.4	41.4	40.5	43.3	43.3
Top 5 percent	25.9	26.6	27.0	28.3	26.9	28.5	29.0	28.8	27.1	31.2	31.2
Top 1 percent	11.0	10.7	11.5	13.0	11.4	12.3	13.0	12.8	11.0	15.4	15.4
<i>After-Tax Income</i>											
Lowest Quintile	3.5	3.4	2.8	3.0	3.2	3.1	3.0	3.1	3.6	3.3	3.3
Second Quintile	7.5	7.3	6.8	7.1	7.5	7.3	7.2	7.2	7.3	7.2	7.2
Middle Quintile	11.7	11.9	12.0	12.1	11.6	11.8	12.0	12.4	12.4	11.6	11.6
Fourth Quintile	21.4	21.3	20.8	20.3	21.5	20.0	20.6	21.3	21.5	20.3	20.3
Highest Quintile	56.3	57.0	58.2	58.5	56.8	58.7	57.6	56.6	55.8	57.9	57.9
All Quintiles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Top 10 percent	36.9	38.6	40.1	40.5	38.6	40.6	39.7	39.1	37.9	40.7	40.7
Top 5 percent	23.4	25.0	26.1	27.6	25.4	27.2	27.5	26.8	24.8	28.7	28.8
Top 1 percent	9.3	9.8	11.1	12.6	10.7	11.6	12.1	11.4	9.3	13.6	13.6
Minimum Adjusted Income for the Category (1997 dollars)											
Lowest Quintile	0	0	0	0	0	0	0	0	0	0	0
Second Quintile	13000	12200	11300	12300	12700	13200	12900	12800	13400	13700	13700
Middle Quintile	21100	20100	19400	20700	21700	22300	22000	22000	23000	23600	23600
Fourth Quintile	29200	28300	28300	30000	31300	32200	31800	31900	33100	34400	34400
Highest Quintile	41200	40600	41300	43800	46200	47200	46300	47800	48600	50800	50800
Top 10 percent	53000	52800	53700	58200	60700	62400	61800	63500	65500	69900	69900
Top 5 percent	67200	67200	69200	76100	78500	81600	80500	81900	86800	93300	93300
Top 1 percent	130800	126500	133800	154900	162600	181000	173700	182000	199000	245700	245700

NOTES: (Continued)

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

a. Income categories are defined by ranking all people by their adjusted comprehensive household income. Quintiles, or fifths, of the income distribution contain equal numbers of people.

Appendix H

**Tables Based on Household Cash Income
by Dollar Income Categories, 1979-1997**

Dollar values in this appendix are all in 1997 dollars.

Table H-1a.
Effective Federal Tax Rates for All Households, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Total Federal Tax Rate											
\$0 to \$10,000	8.2	7.3	7.1	8.3	8.6	7.9	8.1	8.0	6.9	7.2	7.1
\$10,000 to \$20,000	11.2	11.3	11.2	12.6	12.0	11.6	11.5	11.4	10.1	9.7	9.6
\$20,000 to \$30,000	16.2	16.9	15.9	16.8	16.0	16.1	16.1	16.1	16.1	15.6	15.0
\$30,000 to \$40,000	19.3	19.8	18.3	18.8	18.6	18.5	18.5	18.7	19.0	18.7	17.9
\$40,000 to \$50,000	21.2	21.9	20.1	20.2	20.2	20.7	20.5	20.9	21.4	20.8	20.0
\$50,000 to \$75,000	23.0	24.0	21.9	22.2	21.9	22.3	22.4	22.8	23.4	22.9	22.1
\$75,000 to \$100,000	24.3	25.7	23.1	23.4	23.8	24.0	24.1	24.7	25.5	24.6	24.0
\$100,000 to \$150,000	26.2	27.2	24.0	24.1	25.1	25.0	25.3	26.1	26.9	26.0	25.7
\$150,000 to \$200,000	29.8	28.5	24.3	24.3	26.6	26.0	26.6	27.3	28.7	27.8	27.6
\$200,000 and over	36.2	31.4	26.7	25.8	29.5	28.3	28.6	32.5	35.1	32.4	31.9
All Categories	23.4	23.5	21.2	21.8	22.6	22.8	22.6	23.8	24.9	24.6	24.1
Effective Individual Income Tax Rate											
\$0 to \$10,000	-0.5	-0.3	-0.4	-0.4	-0.9	-1.0	-1.3	-1.9	-3.9	-4.3	-4.3
\$10,000 to \$20,000	1.3	2.2	2.0	2.1	1.1	1.0	0.4	0.0	-1.7	-2.1	-2.2
\$20,000 to \$30,000	4.9	6.1	5.1	5.2	4.2	4.2	4.1	3.5	3.1	2.8	2.2
\$30,000 to \$40,000	7.4	8.5	7.2	7.0	6.2	6.3	6.2	5.8	5.6	5.6	4.8
\$40,000 to \$50,000	9.2	10.3	8.7	8.3	7.7	7.9	7.7	7.4	7.5	7.3	6.5
\$50,000 to \$75,000	11.1	12.3	10.3	9.8	9.1	9.3	9.3	8.9	9.0	9.0	8.2
\$75,000 to \$100,000	13.1	14.6	12.0	11.6	11.3	11.2	11.1	10.9	11.2	10.8	10.2
\$100,000 to \$150,000	15.0	16.6	13.8	13.2	13.2	13.0	12.8	12.6	13.0	12.8	12.5
\$150,000 to \$200,000	17.6	18.7	15.2	14.5	15.5	15.2	15.1	14.9	15.3	14.9	14.7
\$200,000 and over	22.4	21.8	19.0	18.0	20.3	19.1	19.1	21.4	22.2	21.7	21.2
All Categories	11.6	12.6	10.7	10.7	10.8	10.9	10.5	10.8	11.3	11.9	11.3
Effective Social Insurance Tax Rate											
\$0 to \$10,000	3.5	4.0	4.1	4.3	4.5	5.5	4.9	5.1	5.6	5.9	5.9
\$10,000 to \$20,000	6.0	6.5	6.6	7.2	7.3	7.6	7.9	7.7	7.7	7.8	7.8
\$20,000 to \$30,000	7.6	8.3	8.4	8.8	8.7	8.9	9.2	9.4	9.4	9.5	9.5
\$30,000 to \$40,000	8.5	9.1	8.8	9.5	9.6	9.5	9.7	10.0	10.1	10.1	10.1
\$40,000 to \$50,000	9.0	9.4	9.3	9.7	9.9	10.4	10.4	10.9	11.1	10.7	10.7
\$50,000 to \$75,000	8.8	9.5	9.5	10.3	10.4	10.8	10.9	11.4	11.7	11.4	11.4
\$75,000 to \$100,000	8.0	8.6	9.1	9.8	10.0	10.6	10.8	11.5	11.4	11.3	11.3
\$100,000 to \$150,000	6.4	7.1	7.5	8.2	8.9	9.3	10.1	10.4	10.5	10.0	10.0
\$150,000 to \$200,000	4.4	4.9	5.5	6.5	6.9	7.1	8.0	8.3	8.5	8.7	8.7
\$200,000 and over	1.7	1.8	2.0	2.2	2.5	2.4	3.4	3.3	3.9	3.4	3.4
All Categories	7.2	7.8	7.8	8.2	8.4	8.5	9.0	9.2	9.3	8.7	8.7

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-1a.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Corporate Income Tax Rate											
\$0 to \$10,000	1.4	0.8	0.7	0.6	0.6	0.8	0.6	0.7	0.6	0.5	0.5
\$10,000 to \$20,000	2.0	1.1	0.9	1.0	1.2	1.1	1.0	1.3	1.3	1.2	1.2
\$20,000 to \$30,000	2.3	1.4	1.2	1.2	1.6	1.5	1.3	1.5	1.7	1.5	1.5
\$30,000 to \$40,000	2.1	1.3	1.3	1.2	1.6	1.5	1.4	1.5	1.7	1.7	1.7
\$40,000 to \$50,000	1.9	1.4	1.2	1.3	1.6	1.4	1.3	1.5	1.5	1.6	1.6
\$50,000 to \$75,000	2.1	1.4	1.2	1.2	1.7	1.4	1.3	1.5	1.5	1.5	1.5
\$75,000 to \$100,000	2.4	1.8	1.3	1.3	1.8	1.5	1.4	1.6	1.9	1.7	1.7
\$100,000 to \$150,000	4.0	2.9	2.1	2.0	2.3	2.1	1.8	2.3	2.5	2.5	2.5
\$150,000 to \$200,000	7.1	4.5	3.0	2.7	3.6	3.1	2.9	3.4	4.3	3.6	3.6
\$200,000 and over	11.7	7.4	5.3	5.2	6.4	6.4	5.8	7.4	8.6	6.9	6.9
All Categories	3.6	2.3	1.9	2.0	2.5	2.5	2.1	2.7	3.2	3.1	3.1
Effective Federal Excise Tax Rate											
\$0 to \$10,000	3.7	2.8	2.7	3.9	4.4	2.6	3.9	4.0	4.5	5.0	5.0
\$10,000 to \$20,000	2.0	1.5	1.7	2.3	2.3	1.9	2.2	2.4	2.8	2.8	2.8
\$20,000 to \$30,000	1.5	1.1	1.2	1.6	1.5	1.5	1.5	1.7	2.0	1.7	1.7
\$30,000 to \$40,000	1.2	0.9	1.0	1.2	1.2	1.2	1.3	1.4	1.6	1.4	1.4
\$40,000 to \$50,000	1.1	0.8	0.9	1.0	1.0	1.0	1.1	1.2	1.3	1.2	1.2
\$50,000 to \$75,000	1.0	0.7	0.8	0.9	0.9	0.9	0.9	1.0	1.1	1.0	1.0
\$75,000 to \$100,000	0.8	0.6	0.7	0.7	0.7	0.8	0.8	0.8	0.9	0.8	0.8
\$100,000 to \$150,000	0.7	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.8	0.7	0.7
\$150,000 to \$200,000	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.6	0.7	0.6	0.6
\$200,000 and over	0.5	0.4	0.4	0.4	0.3	0.3	0.4	0.5	0.4	0.3	0.3
All Categories	1.0	0.8	0.9	1.0	0.9	0.9	1.0	1.1	1.1	0.9	0.9

NOTES: (Continued)

Effective tax rates are calculated by dividing taxes by household cash income.

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Table H-1b.
Shares of Federal Tax Revenues for All Households, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Total Federal Tax Revenues											
\$0 to \$10,000	0.6	0.5	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.4
\$10,000 to \$20,000	2.3	2.5	2.8	2.7	2.4	2.2	2.3	2.2	1.7	1.5	1.5
\$20,000 to \$30,000	5.4	5.9	6.1	5.8	5.0	4.8	5.0	4.7	4.2	3.7	3.6
\$30,000 to \$40,000	7.8	8.4	8.2	8.1	7.2	6.6	7.4	6.7	6.1	5.2	5.1
\$40,000 to \$50,000	10.2	10.4	9.9	8.5	8.3	8.1	8.2	7.6	7.3	6.5	6.4
\$50,000 to \$75,000	24.6	24.6	24.0	22.6	20.5	20.3	20.9	18.7	18.2	17.0	16.8
\$75,000 to \$100,000	14.8	15.8	15.4	15.3	15.3	14.8	15.3	15.3	14.7	13.0	13.0
\$100,000 to \$150,000	12.5	13.6	13.4	13.9	14.9	15.0	14.7	14.8	14.4	14.2	14.4
\$150,000 to \$200,000	5.1	5.0	4.6	5.3	6.5	6.2	5.9	6.2	6.6	6.8	6.9
\$200,000 and over	16.7	13.3	15.0	17.0	19.3	21.4	19.7	23.2	26.3	31.7	32.0
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Individual Income Tax Revenues											
\$0 to \$10,000	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.5	-0.5	-0.5
\$10,000 to \$20,000	0.5	0.9	1.0	0.9	0.5	0.4	0.2	0.0	-0.6	-0.6	-0.7
\$20,000 to \$30,000	3.3	4.0	3.9	3.7	2.7	2.6	2.7	2.3	1.8	1.4	1.1
\$30,000 to \$40,000	6.1	6.7	6.4	6.1	5.0	4.7	5.3	4.6	4.0	3.2	2.9
\$40,000 to \$50,000	8.9	9.1	8.4	7.1	6.6	6.5	6.7	5.9	5.7	4.7	4.4
\$50,000 to \$75,000	24.0	23.7	22.5	20.5	17.8	17.6	18.6	16.0	15.6	13.8	13.3
\$75,000 to \$100,000	16.0	16.8	15.8	15.5	15.2	14.4	15.1	14.8	14.3	11.8	11.7
\$100,000 to \$150,000	14.5	15.5	15.2	15.6	16.4	16.2	16.0	15.8	15.4	14.5	14.8
\$150,000 to \$200,000	6.0	6.1	5.7	6.5	7.9	7.6	7.2	7.5	7.7	7.5	7.8
\$200,000 and over	20.8	17.3	21.2	24.3	27.9	30.2	28.3	33.5	36.7	44.1	45.2
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Social Insurance Tax Revenues											
\$0 to \$10,000	0.8	0.9	1.0	0.8	0.8	0.9	0.8	0.8	0.9	0.9	0.9
\$10,000 to \$20,000	4.0	4.3	4.5	4.2	3.9	3.9	3.9	3.8	3.6	3.3	3.3
\$20,000 to \$30,000	8.2	8.7	8.8	8.2	7.3	7.1	7.2	7.1	6.6	6.4	6.4
\$30,000 to \$40,000	11.3	11.6	10.8	10.8	10.0	9.1	9.6	9.3	8.7	7.9	7.9
\$40,000 to \$50,000	14.1	13.4	12.5	10.7	11.0	10.9	10.5	10.2	10.2	9.6	9.6
\$50,000 to \$75,000	30.6	29.4	28.4	28.0	26.3	26.3	25.5	24.1	24.4	24.0	24.0
\$75,000 to \$100,000	15.8	16.0	16.5	17.0	17.5	17.5	17.3	18.3	17.6	16.9	16.9
\$100,000 to \$150,000	10.0	10.7	11.4	12.5	14.3	14.9	14.7	15.3	15.0	15.5	15.5
\$150,000 to \$200,000	2.4	2.6	2.8	3.8	4.6	4.5	4.5	4.9	5.2	6.0	6.0
\$200,000 and over	2.5	2.3	3.0	3.8	4.4	4.9	5.9	6.1	7.9	9.5	9.5
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-1b.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Corporate Income Tax Revenues											
\$0 to \$10,000	0.6	0.6	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.2	0.2
\$10,000 to \$20,000	2.7	2.5	2.6	2.4	2.2	2.0	2.0	2.1	1.8	1.4	1.4
\$20,000 to \$30,000	5.0	4.8	5.0	4.5	4.6	4.2	4.1	3.9	3.5	2.9	2.9
\$30,000 to \$40,000	5.6	5.8	6.4	5.8	5.7	5.1	5.8	4.8	4.2	3.7	3.7
\$40,000 to \$50,000	5.8	6.5	6.5	5.9	5.8	5.2	5.5	4.7	4.0	4.1	4.1
\$50,000 to \$75,000	14.9	14.3	15.1	13.3	13.8	11.8	12.6	11.0	9.4	9.0	9.0
\$75,000 to \$100,000	9.7	11.1	9.9	9.6	10.1	8.5	9.4	8.6	8.4	7.3	7.3
\$100,000 to \$150,000	12.5	14.8	13.1	13.0	12.1	11.7	11.0	11.5	10.6	11.0	11.0
\$150,000 to \$200,000	7.9	7.9	6.5	6.6	7.9	6.9	6.9	6.9	7.7	6.9	6.9
\$200,000 and over	35.1	31.5	34.0	38.3	37.6	44.7	42.1	46.1	50.2	53.9	53.9
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Federal Excise Tax Revenues											
\$0 to \$10,000	5.9	6.1	5.6	6.3	6.8	4.1	6.2	5.8	5.6	6.7	6.7
\$10,000 to \$20,000	9.3	9.8	10.5	11.2	11.0	9.4	10.1	10.6	10.5	11.1	11.1
\$20,000 to \$30,000	11.1	11.4	11.5	12.4	11.2	11.2	11.2	11.5	11.3	10.6	10.6
\$30,000 to \$40,000	11.1	11.5	11.4	11.5	11.4	11.0	11.7	11.0	11.4	10.0	10.0
\$40,000 to \$50,000	11.6	11.3	11.1	9.6	10.1	10.4	10.4	9.5	9.9	9.6	9.6
\$50,000 to \$75,000	23.4	21.9	22.0	19.8	19.2	20.3	20.0	18.2	19.1	18.5	18.5
\$75,000 to \$100,000	11.4	11.5	11.0	10.8	11.3	11.9	11.4	11.4	11.9	10.8	10.8
\$100,000 to \$150,000	7.9	8.3	8.3	8.5	9.6	9.9	9.0	9.4	9.5	10.0	10.0
\$150,000 to \$200,000	2.4	2.5	2.5	2.8	3.2	3.4	3.0	3.4	3.4	4.0	4.0
\$200,000 and over	5.3	4.6	5.3	5.5	4.9	6.5	6.2	8.0	6.4	7.7	7.7
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NOTES: (Continued)

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in the total.

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

Table H-1c.
Number of Households, Average Pretax and After-Tax Income, and Shares of Pretax and After-Tax Income for All Households, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Number of Households (Millions)											
\$0 to \$10,000	9.6	10.5	11.5	10.9	11.2	10.8	11.9	12.3	12.2	12.3	12.3
\$10,000 to \$20,000	12.2	13.1	13.7	13.7	13.8	14.4	14.4	15.2	15.3	15.0	15.0
\$20,000 to \$30,000	11.7	12.4	12.8	13.1	13.0	13.4	13.6	13.9	13.8	13.8	13.8
\$30,000 to \$40,000	10.2	10.8	10.6	11.6	11.5	11.5	12.5	12.2	12.1	11.6	11.6
\$40,000 to \$50,000	9.4	9.4	9.1	8.8	9.5	9.8	9.8	9.5	10.0	10.3	10.3
\$50,000 to \$75,000	15.5	15.0	14.8	15.8	15.9	16.6	16.7	15.9	16.6	17.7	17.7
\$75,000 to \$100,000	6.2	6.4	6.4	7.2	7.8	8.0	8.1	8.5	8.8	9.0	9.0
\$100,000 to \$150,000	3.6	3.7	3.9	4.6	5.2	5.6	5.3	5.6	5.8	6.7	6.7
\$150,000 to \$200,000	0.9	0.9	0.9	1.2	1.5	1.6	1.4	1.6	1.7	2.1	2.1
\$200,000 and over	1.0	0.9	1.1	1.4	1.5	1.7	1.7	1.8	2.0	2.6	2.6
All Categories	81.4	84.2	86.2	89.5	92.0	94.6	96.7	98.2	99.7	102.9	102.9
Average Income (1997 dollars)											
<i>Pretax Income</i>											
\$0 to \$10,000	6,400	6,300	6,100	6,200	6,100	6,200	6,200	6,100	6,200	6,200	6,200
\$10,000 to \$20,000	15,000	14,900	15,000	14,900	14,900	15,000	14,900	14,900	14,900	14,700	14,700
\$20,000 to \$30,000	24,900	24,800	24,800	25,000	24,800	25,000	25,000	25,000	25,000	25,000	25,000
\$30,000 to \$40,000	34,900	34,900	34,900	34,900	34,900	34,800	34,800	34,800	34,800	34,900	34,900
\$40,000 to \$50,000	44,900	44,800	44,700	44,900	44,900	44,800	44,700	44,800	44,900	44,800	44,800
\$50,000 to \$75,000	61,000	60,900	61,100	61,000	61,100	61,300	61,200	61,000	61,300	61,300	61,300
\$75,000 to \$100,000	85,600	85,700	85,600	85,700	85,900	86,000	85,900	85,900	85,900	86,200	86,200
\$100,000 to \$150,000	118,400	117,800	118,900	118,900	118,900	119,100	119,600	119,800	119,600	120,000	120,000
\$150,000 to \$200,000	171,100	170,800	171,200	168,900	171,100	169,200	169,900	170,900	170,500	171,000	171,000
\$200,000 and over	401,100	402,700	438,500	460,700	461,100	489,200	445,400	466,600	478,900	546,000	546,000
All Categories	46,300	44,800	45,100	48,300	50,000	52,000	50,000	50,600	52,600	57,800	57,800
<i>After-Tax Income</i>											
\$0 to \$10,000	5,800	5,800	5,700	5,700	5,600	5,700	5,700	5,600	5,700	5,700	5,700
\$10,000 to \$20,000	13,300	13,200	13,300	13,000	13,100	13,200	13,200	13,200	13,400	13,300	13,300
\$20,000 to \$30,000	20,900	20,600	20,900	20,800	20,800	20,900	21,000	20,900	21,000	21,100	21,200
\$30,000 to \$40,000	28,200	28,000	28,500	28,300	28,400	28,300	28,300	28,300	28,200	28,400	28,600
\$40,000 to \$50,000	35,400	34,900	35,700	35,800	35,800	35,600	35,500	35,400	35,300	35,500	35,900
\$50,000 to \$75,000	47,000	46,300	47,700	47,500	47,700	47,600	47,500	47,100	47,000	47,300	47,800
\$75,000 to \$100,000	64,700	63,700	65,900	65,600	65,500	65,400	65,200	64,600	64,100	65,000	65,500
\$100,000 to \$150,000	87,500	85,700	90,300	90,300	89,100	89,300	89,300	88,500	87,500	88,700	89,100
\$150,000 to \$200,000	120,200	122,200	129,600	127,900	125,600	125,300	124,800	124,200	121,500	123,500	123,800
\$200,000 and over	255,700	276,300	321,600	342,000	324,900	350,800	317,800	314,700	310,900	369,000	371,800
All Categories	35,400	34,300	35,600	37,800	38,700	40,200	38,700	38,500	39,500	43,600	43,900

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-1c.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Income (Percent)											
<i>Pretax Income</i>											
\$0 to \$10,000	1.6	1.7	1.8	1.6	1.5	1.4	1.5	1.5	1.4	1.3	1.3
\$10,000 to \$20,000	4.9	5.2	5.3	4.7	4.5	4.4	4.4	4.6	4.3	3.7	3.7
\$20,000 to \$30,000	7.8	8.1	8.2	7.5	7.0	6.8	7.0	7.0	6.6	5.8	5.8
\$30,000 to \$40,000	9.5	10.0	9.5	9.4	8.7	8.1	9.0	8.6	8.0	6.8	6.8
\$40,000 to \$50,000	11.2	11.1	10.4	9.1	9.2	9.0	9.1	8.6	8.5	7.8	7.8
\$50,000 to \$75,000	25.1	24.1	23.3	22.2	21.2	20.7	21.1	19.5	19.4	18.3	18.3
\$75,000 to \$100,000	14.2	14.4	14.2	14.3	14.6	14.1	14.4	14.8	14.4	13.0	13.0
\$100,000 to \$150,000	11.2	11.7	11.8	12.6	13.4	13.6	13.2	13.5	13.3	13.5	13.5
\$150,000 to \$200,000	4.0	4.1	4.0	4.7	5.5	5.5	5.0	5.5	5.7	6.0	6.0
\$200,000 and over	10.8	10.0	12.0	14.4	14.8	17.2	15.6	17.0	18.7	24.1	24.1
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>After-Tax Income</i>											
\$0 to \$10,000	1.9	2.1	2.1	1.8	1.8	1.6	1.8	1.8	1.8	1.6	1.6
\$10,000 to \$20,000	5.6	6.0	5.9	5.3	5.1	5.0	5.1	5.3	5.2	4.5	4.4
\$20,000 to \$30,000	8.5	8.8	8.7	8.0	7.6	7.4	7.6	7.7	7.3	6.5	6.5
\$30,000 to \$40,000	10.0	10.5	9.8	9.7	9.2	8.6	9.4	9.1	8.7	7.3	7.4
\$40,000 to \$50,000	11.6	11.4	10.6	9.3	9.5	9.2	9.3	8.9	8.9	8.2	8.2
\$50,000 to \$75,000	25.2	24.0	23.1	22.1	21.4	20.8	21.1	19.8	19.8	18.7	18.8
\$75,000 to \$100,000	14.0	14.0	13.8	14.0	14.4	13.8	14.1	14.6	14.3	13.0	13.0
\$100,000 to \$150,000	10.8	11.1	11.4	12.2	13.0	13.2	12.7	13.1	13.0	13.2	13.2
\$150,000 to \$200,000	3.7	3.9	3.8	4.6	5.2	5.2	4.8	5.2	5.4	5.8	5.8
\$200,000 and over	9.0	8.9	11.1	13.7	13.5	16.0	14.4	15.0	16.2	21.6	21.6
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NOTES: (Continued)

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Table H-2a.
Effective Federal Tax Rates for Households with Children, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Total Federal Tax Rate											
\$0 to \$10,000	6.5	6.2	6.3	7.2	4.4	6.0	4.7	4.1	-2.0	-2.7	-2.9
\$10,000 to \$20,000	8.0	10.0	10.6	11.9	9.4	8.2	6.4	6.6	1.6	0.6	0.2
\$20,000 to \$30,000	14.6	16.3	15.7	16.7	15.7	14.9	14.5	14.2	12.8	12.2	10.4
\$30,000 to \$40,000	17.8	19.3	18.4	18.9	18.5	18.4	18.5	18.3	18.3	17.7	15.6
\$40,000 to \$50,000	19.8	21.2	20.0	20.2	19.6	20.1	20.2	20.5	20.6	20.0	18.1
\$50,000 to \$75,000	21.7	23.2	21.7	22.0	21.2	21.7	22.0	22.2	22.6	22.0	20.6
\$75,000 to \$100,000	23.0	24.7	22.6	22.8	23.0	23.2	23.5	24.2	24.5	23.7	22.6
\$100,000 to \$150,000	24.4	25.9	23.3	23.2	23.9	24.1	24.7	25.6	26.0	25.3	24.8
\$150,000 to \$200,000	27.2	26.5	23.2	24.2	25.2	24.8	25.7	26.4	28.2	27.2	27.0
\$200,000 and over	33.3	29.7	26.9	25.6	30.0	27.7	28.6	32.6	35.3	32.9	32.3
All Categories	22.2	22.8	21.3	21.8	22.4	22.3	22.3	23.7	24.8	24.3	23.3
Effective Individual Income Tax Rate											
\$0 to \$10,000	-2.7	-2.7	-2.7	-2.9	-4.2	-4.9	-5.4	-6.4	-13.5	-15.6	-15.7
\$10,000 to \$20,000	-2.4	-0.4	-0.4	-0.3	-2.9	-4.5	-6.3	-6.3	-11.7	-12.7	-13.1
\$20,000 to \$30,000	3.0	4.5	3.6	3.7	2.3	1.6	1.0	0.2	-1.7	-2.0	-3.7
\$30,000 to \$40,000	6.0	7.3	6.3	5.9	4.9	5.0	4.7	4.2	3.7	3.3	1.2
\$40,000 to \$50,000	8.1	9.3	7.9	7.3	6.3	6.6	6.4	6.0	5.9	5.6	3.7
\$50,000 to \$75,000	10.4	11.5	9.8	9.2	7.9	8.2	8.0	7.7	7.7	7.5	6.1
\$75,000 to \$100,000	12.4	13.9	11.4	10.9	10.5	10.2	10.1	10.0	10.0	9.5	8.5
\$100,000 to \$150,000	14.3	15.6	13.2	12.3	12.2	12.1	12.0	12.1	12.1	11.8	11.3
\$150,000 to \$200,000	16.4	17.4	14.5	14.5	15.0	14.6	14.4	14.4	15.2	14.5	14.3
\$200,000 and over	22.1	21.8	20.1	18.8	22.7	20.1	20.3	22.7	23.0	23.1	22.6
All Categories	11.0	11.7	10.3	10.2	10.4	10.1	9.7	10.4	10.8	11.3	10.3
Effective Social Insurance Tax Rate											
\$0 to \$10,000	5.8	6.3	5.9	6.1	5.4	7.9	6.5	6.5	7.4	8.8	8.8
\$10,000 to \$20,000	8.0	8.7	9.0	9.9	9.9	10.5	10.5	10.2	10.3	10.5	10.5
\$20,000 to \$30,000	9.5	10.3	10.6	11.2	11.6	11.6	11.7	12.0	12.3	12.1	12.1
\$30,000 to \$40,000	9.9	10.7	10.7	11.5	11.9	11.9	12.2	12.5	12.6	12.6	12.6
\$40,000 to \$50,000	10.0	10.7	11.0	11.5	11.8	12.1	12.3	13.0	13.0	12.8	12.8
\$50,000 to \$75,000	9.5	10.5	10.7	11.5	11.9	12.1	12.5	13.1	13.2	13.0	13.0
\$75,000 to \$100,000	8.4	9.3	9.9	10.6	11.1	11.6	12.0	12.6	12.7	12.6	12.6
\$100,000 to \$150,000	6.8	8.0	8.4	9.1	9.6	10.2	10.9	11.4	11.7	11.4	11.4
\$150,000 to \$200,000	5.0	5.6	6.3	7.3	7.5	7.6	8.9	9.0	9.5	9.8	9.8
\$200,000 and over	1.9	2.2	2.5	2.5	2.9	2.7	4.3	3.7	4.2	4.0	4.0
All Categories	8.1	9.1	9.2	9.6	9.9	10.0	10.7	10.7	10.6	10.2	10.2

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-2a.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Corporate Income Tax Rate											
\$0 to \$10,000	0.8	0.6	0.6	0.3	0.3	0.3	0.2	0.4	0.2	0.2	0.2
\$10,000 to \$20,000	0.5	0.3	0.2	0.3	0.3	0.3	0.2	0.4	0.4	0.2	0.2
\$20,000 to \$30,000	0.6	0.4	0.3	0.3	0.4	0.3	0.3	0.4	0.3	0.4	0.4
\$30,000 to \$40,000	0.6	0.4	0.4	0.3	0.5	0.4	0.3	0.4	0.4	0.5	0.5
\$40,000 to \$50,000	0.7	0.4	0.3	0.4	0.4	0.4	0.4	0.5	0.4	0.5	0.5
\$50,000 to \$75,000	0.9	0.6	0.4	0.4	0.6	0.6	0.5	0.5	0.6	0.6	0.6
\$75,000 to \$100,000	1.4	0.9	0.7	0.6	0.7	0.7	0.7	0.8	0.9	0.8	0.8
\$100,000 to \$150,000	2.6	1.8	1.1	1.1	1.4	1.2	1.1	1.4	1.4	1.4	1.4
\$150,000 to \$200,000	5.3	3.0	2.0	1.8	2.1	2.0	1.8	2.4	2.8	2.4	2.4
\$200,000 and over	8.9	5.4	3.9	3.9	4.1	4.6	3.7	5.6	7.8	5.5	5.5
All Categories	2.1	1.2	1.0	1.1	1.3	1.3	1.1	1.6	2.4	2.0	2.0
Effective Federal Excise Tax Rate											
\$0 to \$10,000	2.6	2.0	2.5	3.7	2.9	2.6	3.5	3.5	3.9	3.8	3.8
\$10,000 to \$20,000	1.9	1.4	1.7	2.1	2.1	1.9	2.0	2.3	2.6	2.5	2.5
\$20,000 to \$30,000	1.5	1.1	1.2	1.5	1.5	1.4	1.5	1.7	1.9	1.7	1.7
\$30,000 to \$40,000	1.2	0.9	1.0	1.2	1.2	1.1	1.2	1.3	1.5	1.3	1.3
\$40,000 to \$50,000	1.0	0.8	0.9	1.0	1.0	1.0	1.1	1.1	1.3	1.1	1.1
\$50,000 to \$75,000	0.9	0.7	0.7	0.9	0.8	0.8	0.9	0.9	1.1	0.9	0.9
\$75,000 to \$100,000	0.8	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.9	0.8	0.8
\$100,000 to \$150,000	0.7	0.5	0.6	0.6	0.7	0.6	0.7	0.7	0.8	0.7	0.7
\$150,000 to \$200,000	0.6	0.4	0.5	0.6	0.6	0.5	0.6	0.6	0.7	0.6	0.6
\$200,000 and over	0.5	0.3	0.3	0.4	0.3	0.3	0.4	0.6	0.3	0.3	0.3
All Categories	0.9	0.7	0.8	0.9	0.9	0.8	0.9	1.0	1.0	0.8	0.8

NOTES: (Continued)

Effective tax rates are calculated by dividing taxes by household cash income.

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Table H-2b.
Shares of Federal Tax Revenues for Households with Children, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Total Federal Tax Revenues											
\$0 to \$10,000	0.2	0.3	0.4	0.3	0.2	0.2	0.2	0.2	-0.1	-0.1	-0.1
\$10,000 to \$20,000	1.1	1.6	1.9	1.8	1.3	1.1	0.9	0.8	0.2	0.1	0.0
\$20,000 to \$30,000	3.9	4.7	5.1	4.7	3.7	3.5	3.6	3.2	2.4	2.2	1.9
\$30,000 to \$40,000	7.0	8.3	7.7	7.5	6.5	6.0	6.4	5.5	4.8	4.1	3.8
\$40,000 to \$50,000	10.8	11.1	10.3	8.6	8.2	8.3	8.4	7.3	6.7	6.2	5.9
\$50,000 to \$75,000	27.9	28.8	26.7	25.6	22.1	23.2	23.1	19.4	18.9	18.2	17.7
\$75,000 to \$100,000	16.4	17.3	16.7	16.7	17.1	16.4	17.3	16.8	15.3	14.0	13.9
\$100,000 to \$150,000	12.4	12.8	12.3	13.7	15.7	15.6	15.9	16.5	14.6	14.7	15.0
\$150,000 to \$200,000	4.8	4.7	4.5	5.0	6.1	6.1	5.5	6.4	6.6	7.6	7.9
\$200,000 and over	15.4	10.4	14.2	16.0	18.9	19.5	18.6	23.7	30.5	33.2	34.0
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Individual Income Tax Revenues											
\$0 to \$10,000	-0.2	-0.2	-0.3	-0.3	-0.4	-0.4	-0.6	-0.7	-1.1	-1.0	-1.1
\$10,000 to \$20,000	-0.6	-0.1	-0.1	-0.1	-0.9	-1.3	-2.1	-1.8	-3.0	-2.7	-3.1
\$20,000 to \$30,000	1.6	2.5	2.4	2.2	1.2	0.8	0.6	0.1	-0.7	-0.8	-1.6
\$30,000 to \$40,000	4.8	6.0	5.4	5.0	3.7	3.5	3.8	2.9	2.2	1.7	0.7
\$40,000 to \$50,000	8.9	9.5	8.4	6.6	5.7	6.0	6.1	4.9	4.4	3.7	2.7
\$50,000 to \$75,000	26.8	27.7	24.8	22.7	17.7	19.3	19.6	15.3	14.7	13.4	11.8
\$75,000 to \$100,000	17.8	18.9	17.3	16.9	16.8	15.8	17.1	15.8	14.3	12.1	11.8
\$100,000 to \$150,000	14.7	14.9	14.4	15.5	17.3	17.2	17.9	17.9	15.6	14.7	15.5
\$150,000 to \$200,000	5.8	6.0	5.7	6.4	7.9	7.9	7.1	7.9	8.2	8.7	9.4
\$200,000 and over	20.5	14.8	22.0	25.0	30.9	31.2	30.5	37.6	45.6	50.2	53.9
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Social Insurance Tax Revenues											
\$0 to \$10,000	0.6	0.7	0.8	0.6	0.5	0.7	0.6	0.7	0.6	0.6	0.6
\$10,000 to \$20,000	2.9	3.4	3.8	3.3	3.1	3.1	3.1	2.8	2.7	2.5	2.5
\$20,000 to \$30,000	6.9	7.4	8.0	7.1	6.2	6.1	6.1	5.9	5.4	5.2	5.2
\$30,000 to \$40,000	10.6	11.4	10.4	10.3	9.5	8.6	8.9	8.4	7.8	7.0	7.0
\$40,000 to \$50,000	14.9	14.0	13.1	11.1	11.2	11.2	10.7	10.3	9.9	9.5	9.5
\$50,000 to \$75,000	33.3	32.3	30.5	30.5	28.1	28.9	27.6	25.3	26.0	25.6	25.6
\$75,000 to \$100,000	16.4	16.3	17.0	17.6	18.6	18.2	18.5	19.4	18.6	17.8	17.8
\$100,000 to \$150,000	9.5	9.9	10.3	12.2	14.3	14.7	14.7	16.3	15.3	15.8	15.8
\$150,000 to \$200,000	2.4	2.5	2.8	3.5	4.2	4.2	4.0	4.8	5.2	6.5	6.5
\$200,000 and over	2.4	1.9	3.1	3.5	4.2	4.3	5.8	6.0	8.4	9.6	9.6
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-2b.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Corporate Income Tax Revenues											
\$0 to \$10,000	0.3	0.5	0.7	0.3	0.2	0.2	0.2	0.3	0.1	0.1	0.1
\$10,000 to \$20,000	0.6	0.8	0.9	0.8	0.7	0.6	0.7	0.7	0.5	0.3	0.3
\$20,000 to \$30,000	1.7	2.1	2.1	1.7	1.8	1.3	1.5	1.2	0.6	0.8	0.8
\$30,000 to \$40,000	2.7	3.6	3.5	2.7	2.8	2.1	2.4	1.6	1.2	1.4	1.4
\$40,000 to \$50,000	3.8	4.2	3.8	3.2	3.2	3.0	3.2	2.3	1.5	1.8	1.8
\$50,000 to \$75,000	12.8	13.3	12.0	10.2	10.2	10.5	10.2	6.5	5.2	5.9	5.9
\$75,000 to \$100,000	10.5	12.3	10.6	9.5	9.6	8.0	10.0	7.7	5.7	5.6	5.6
\$100,000 to \$150,000	14.0	16.9	12.7	13.0	16.0	13.7	14.7	12.6	8.4	10.0	10.0
\$150,000 to \$200,000	9.8	10.2	8.4	7.8	9.1	8.3	7.8	8.5	6.9	8.1	8.1
\$200,000 and over	43.6	35.7	44.9	50.6	45.7	55.3	49.5	58.6	69.9	67.3	67.3
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Federal Excise Tax Revenues											
\$0 to \$10,000	2.2	2.6	3.8	4.1	3.4	2.9	4.1	3.9	3.3	3.5	3.5
\$10,000 to \$20,000	6.0	6.9	8.4	7.4	7.4	6.7	7.0	7.1	7.4	7.4	7.4
\$20,000 to \$30,000	9.4	9.9	10.6	10.4	9.0	8.9	9.1	9.2	8.8	8.8	8.8
\$30,000 to \$40,000	11.1	12.2	11.3	11.1	10.7	9.6	10.3	9.4	9.9	9.3	9.3
\$40,000 to \$50,000	13.4	12.9	11.8	10.1	10.8	10.8	11.0	9.7	10.4	10.1	10.1
\$50,000 to \$75,000	28.1	26.6	24.6	24.3	22.7	23.4	23.5	20.3	22.4	22.2	22.2
\$75,000 to \$100,000	13.5	13.2	12.8	12.9	13.9	13.9	13.5	13.7	14.2	13.2	13.2
\$100,000 to \$150,000	8.3	8.3	8.2	9.1	11.9	11.1	10.6	11.2	11.3	11.4	11.4
\$150,000 to \$200,000	2.4	2.4	2.5	2.9	3.5	3.5	3.2	3.8	3.9	4.9	4.9
\$200,000 and over	5.0	3.7	4.9	5.7	5.0	5.8	6.9	10.0	7.2	8.2	8.2
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NOTES: (Continued)

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in the total.

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

Table H-2c.
Number of Households, Average Pretax and After-Tax Income, and Shares of Pretax and After-Tax Income for Households with Children, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Number of Households (Millions)											
\$0 to \$10,000	2.2	2.6	3.3	3.0	3.2	3.0	3.4	3.8	3.2	3.1	3.1
\$10,000 to \$20,000	3.4	3.8	4.1	3.9	3.8	3.8	4.0	4.2	4.2	4.0	4.0
\$20,000 to \$30,000	4.0	4.3	4.5	4.4	4.0	4.1	4.2	4.4	4.1	4.2	4.2
\$30,000 to \$40,000	4.3	4.5	4.1	4.4	4.3	4.1	4.3	4.3	4.2	4.0	4.0
\$40,000 to \$50,000	4.6	4.3	4.0	3.7	3.9	4.0	4.0	3.9	4.1	4.1	4.1
\$50,000 to \$75,000	8.0	7.5	6.9	7.4	7.2	7.6	7.4	7.1	7.6	8.0	8.0
\$75,000 to \$100,000	3.2	3.0	3.0	3.3	3.7	3.6	3.7	4.0	4.1	4.1	4.1
\$100,000 to \$150,000	1.6	1.5	1.5	1.9	2.3	2.4	2.3	2.7	2.6	2.9	2.9
\$150,000 to \$200,000	0.4	0.4	0.4	0.5	0.6	0.6	0.5	0.7	0.8	1.0	1.0
\$200,000 and over	0.4	0.3	0.5	0.6	0.6	0.6	0.7	0.8	0.9	1.1	1.1
All Categories	32.4	32.6	32.7	33.6	34.0	34.2	34.8	36.3	36.2	36.9	36.9
Average Income (1997 dollars)											
<i>Pretax Income</i>											
\$0 to \$10,000	6,100	6,000	6,000	6,000	5,900	5,900	5,900	5,900	6,000	5,900	5,900
\$10,000 to \$20,000	15,200	15,100	15,100	15,000	15,100	15,100	15,100	14,900	14,900	14,900	14,900
\$20,000 to \$30,000	25,100	24,900	24,900	25,000	24,900	25,000	25,000	25,000	25,200	25,000	25,000
\$30,000 to \$40,000	35,100	35,100	35,000	35,000	35,000	34,800	34,900	35,000	35,000	35,000	35,000
\$40,000 to \$50,000	45,000	44,800	44,700	45,100	45,000	44,900	44,800	45,000	44,900	44,900	44,900
\$50,000 to \$75,000	61,000	61,000	61,200	61,300	61,000	61,400	61,400	61,100	61,500	61,700	61,700
\$75,000 to \$100,000	85,600	85,500	85,700	85,600	86,000	85,800	85,700	86,000	86,100	86,100	86,100
\$100,000 to \$150,000	118,400	117,200	118,400	118,700	118,300	118,000	119,100	119,700	119,100	120,400	120,400
\$150,000 to \$200,000	169,500	170,900	170,600	169,000	170,600	170,200	170,100	171,700	170,200	170,300	170,300
\$200,000 and over	391,000	392,800	398,100	440,900	451,400	497,400	405,000	452,500	516,800	528,900	528,900
All Categories	52,800	49,400	49,300	53,400	55,700	57,200	55,200	57,600	62,500	66,700	66,700
<i>After-Tax Income</i>											
\$0 to \$10,000	5,700	5,600	5,600	5,500	5,600	5,600	5,700	5,700	6,100	6,000	6,000
\$10,000 to \$20,000	14,000	13,600	13,500	13,200	13,700	13,800	14,100	13,900	14,700	14,800	14,800
\$20,000 to \$30,000	21,400	20,900	21,000	20,900	21,000	21,300	21,400	21,500	22,000	22,000	22,400
\$30,000 to \$40,000	28,900	28,300	28,600	28,400	28,500	28,400	28,500	28,600	28,600	28,800	29,500
\$40,000 to \$50,000	36,000	35,300	35,700	36,000	36,200	35,900	35,800	35,700	35,700	36,000	36,800
\$50,000 to \$75,000	47,800	46,800	47,900	47,800	48,100	48,100	47,900	47,500	47,600	48,100	49,000
\$75,000 to \$100,000	65,900	64,400	66,300	66,000	66,200	65,900	65,500	65,200	65,000	65,700	66,600
\$100,000 to \$150,000	89,600	86,800	90,800	91,200	90,000	89,600	89,700	89,100	88,100	89,900	90,500
\$150,000 to \$200,000	123,300	125,700	131,000	128,000	127,600	128,000	126,500	126,300	122,200	123,900	124,200
\$200,000 and over	260,700	276,100	291,200	327,900	316,000	359,600	289,100	305,000	334,200	355,100	358,000
All Categories	41,100	38,100	38,800	41,800	43,300	44,500	42,900	43,900	46,900	50,500	51,100

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-2c.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Income (Percent)											
<i>Pretax Income</i>											
\$0 to \$10,000	0.8	1.0	1.2	1.0	1.0	0.9	1.1	1.1	0.8	0.7	0.7
\$10,000 to \$20,000	3.0	3.5	3.8	3.2	3.1	2.9	3.1	3.0	2.8	2.4	2.4
\$20,000 to \$30,000	5.9	6.6	7.0	6.1	5.3	5.3	5.5	5.3	4.6	4.3	4.3
\$30,000 to \$40,000	8.7	9.8	8.9	8.7	7.9	7.2	7.8	7.2	6.6	5.6	5.6
\$40,000 to \$50,000	12.1	12.0	11.0	9.2	9.3	9.2	9.3	8.5	8.1	7.5	7.5
\$50,000 to \$75,000	28.5	28.3	26.2	25.4	23.3	23.9	23.5	20.7	20.8	20.0	20.0
\$75,000 to \$100,000	15.8	16.0	15.7	15.9	16.6	15.8	16.4	16.5	15.5	14.3	14.3
\$100,000 to \$150,000	11.3	11.2	11.2	12.9	14.7	14.5	14.4	15.3	13.9	14.1	14.1
\$150,000 to \$200,000	3.9	4.0	4.1	4.5	5.5	5.5	4.8	5.8	5.8	6.8	6.8
\$200,000 and over	10.2	8.0	11.3	13.6	14.1	15.7	14.5	17.3	21.5	24.5	24.5
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>After-Tax Income</i>											
\$0 to \$10,000	0.9	1.2	1.4	1.2	1.2	1.1	1.3	1.4	1.1	1.0	1.0
\$10,000 to \$20,000	3.5	4.1	4.4	3.6	3.6	3.5	3.8	3.7	3.7	3.2	3.2
\$20,000 to \$30,000	6.5	7.2	7.4	6.5	5.8	5.8	6.1	5.9	5.4	5.0	5.0
\$30,000 to \$40,000	9.2	10.2	9.2	9.0	8.3	7.6	8.2	7.7	7.1	6.1	6.2
\$40,000 to \$50,000	12.4	12.3	11.2	9.4	9.7	9.5	9.5	8.8	8.6	8.0	8.0
\$50,000 to \$75,000	28.6	28.1	26.1	25.3	23.7	24.1	23.6	21.2	21.4	20.6	20.7
\$75,000 to \$100,000	15.7	15.6	15.4	15.7	16.4	15.6	16.1	16.4	15.6	14.5	14.5
\$100,000 to \$150,000	11.0	10.8	11.0	12.7	14.4	14.1	13.9	15.0	13.7	13.9	13.8
\$150,000 to \$200,000	3.6	3.9	4.0	4.4	5.3	5.3	4.6	5.6	5.6	6.5	6.4
\$200,000 and over	8.8	7.3	10.5	12.9	12.7	14.6	13.3	15.2	18.5	21.7	21.6
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NOTES: (Continued)

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Table H-3a.
Effective Federal Tax Rates for Elderly Households, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Total Federal Tax Rate											
\$0 to \$10,000	5.9	4.1	3.0	4.5	5.0	2.7	5.2	5.4	3.9	6.0	6.0
\$10,000 to \$20,000	7.2	5.1	4.8	6.1	6.5	5.6	6.2	6.7	7.0	7.1	7.1
\$20,000 to \$30,000	11.2	9.0	8.7	8.9	9.3	9.3	9.0	9.5	10.7	10.0	9.9
\$30,000 to \$40,000	15.4	12.9	11.2	11.5	11.9	11.9	11.2	11.9	13.0	13.0	13.0
\$40,000 to \$50,000	18.2	15.9	14.0	14.3	14.8	14.8	14.4	14.8	16.3	15.8	16.0
\$50,000 to \$75,000	22.3	19.7	17.0	17.3	18.5	17.8	17.7	18.9	20.3	19.9	19.9
\$75,000 to \$100,000	24.8	23.3	20.2	21.2	21.9	21.4	21.2	21.6	24.6	23.0	22.8
\$100,000 to \$150,000	27.8	27.1	23.6	24.0	24.8	24.0	23.7	24.8	26.9	25.2	24.9
\$150,000 to \$200,000	33.6	29.7	25.7	25.4	26.8	27.1	26.1	27.6	28.9	27.6	27.4
\$200,000 and over	43.2	35.3	28.8	27.4	30.7	29.3	28.4	32.2	34.1	30.4	30.0
All Categories	21.1	19.0	16.3	17.1	18.8	18.7	17.4	18.6	20.7	21.0	20.8
Effective Individual Income Tax Rate											
\$0 to \$10,000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
\$10,000 to \$20,000	0.1	0.3	0.4	0.3	0.2	0.3	0.4	0.3	0.3	0.2	0.3
\$20,000 to \$30,000	1.3	2.2	2.2	2.0	1.6	2.0	2.1	1.6	1.9	1.7	1.7
\$30,000 to \$40,000	3.5	4.5	3.8	3.7	3.1	3.6	3.6	3.2	3.5	3.8	3.9
\$40,000 to \$50,000	5.3	6.5	5.8	5.7	5.3	5.7	5.9	5.1	5.8	5.7	5.9
\$50,000 to \$75,000	7.8	9.1	8.0	8.1	7.7	7.8	8.2	7.8	8.4	8.9	8.9
\$75,000 to \$100,000	10.0	12.2	10.7	11.3	10.1	10.5	10.9	9.5	11.4	10.9	10.7
\$100,000 to \$150,000	12.5	15.7	13.7	13.8	12.6	12.3	12.6	11.6	13.0	12.7	12.4
\$150,000 to \$200,000	15.3	17.6	15.3	15.4	13.6	15.1	14.6	13.9	13.7	13.4	13.2
\$200,000 and over	23.4	22.6	18.7	17.4	18.3	16.7	15.5	16.4	16.6	16.2	15.8
All Categories	7.9	9.6	8.2	8.5	8.5	8.9	8.1	7.6	8.6	9.6	9.4
Effective Social Insurance Tax Rate											
\$0 to \$10,000	0.3	0.3	0.3	0.1	0.2	0.2	0.3	0.2	0.2	0.2	0.2
\$10,000 to \$20,000	0.9	0.9	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.7	0.7
\$20,000 to \$30,000	1.7	1.8	1.8	1.5	1.4	1.3	1.5	1.4	1.4	1.4	1.4
\$30,000 to \$40,000	2.7	2.6	2.2	2.3	2.2	2.1	1.9	2.2	2.2	2.2	2.2
\$40,000 to \$50,000	2.8	2.9	2.6	2.7	2.6	2.7	2.6	2.7	3.0	2.8	2.8
\$50,000 to \$75,000	3.4	3.4	2.8	3.3	3.0	3.7	3.3	3.8	4.0	3.3	3.3
\$75,000 to \$100,000	3.6	3.5	3.8	4.1	3.7	4.2	4.0	4.2	4.4	4.0	4.0
\$100,000 to \$150,000	3.3	2.8	2.8	3.1	3.4	3.9	4.5	4.4	4.5	3.7	3.7
\$150,000 to \$200,000	1.7	1.9	2.5	2.6	2.9	3.6	3.6	4.1	3.9	3.6	3.6
\$200,000 and over	0.9	1.0	0.9	1.1	1.1	1.2	1.4	1.8	1.9	1.5	1.5
All Categories	2.2	2.2	2.1	2.3	2.2	2.4	2.5	2.7	2.8	2.4	2.4

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-3a.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Corporate Income Tax Rate											
\$0 to \$10,000	1.5	0.8	0.7	0.7	0.8	0.8	0.8	0.9	0.9	0.8	0.8
\$10,000 to \$20,000	4.2	2.4	1.9	2.2	2.8	2.5	2.2	2.7	2.9	2.6	2.6
\$20,000 to \$30,000	6.7	4.0	3.3	3.5	4.4	4.2	3.5	4.4	4.8	4.5	4.5
\$30,000 to \$40,000	8.0	4.9	3.9	4.0	5.1	4.7	4.1	4.7	5.2	5.1	5.1
\$40,000 to \$50,000	8.9	5.6	4.5	4.5	5.6	5.2	4.5	5.5	5.8	5.7	5.7
\$50,000 to \$75,000	10.1	6.3	5.3	4.9	6.7	5.2	5.0	6.1	6.4	6.4	6.4
\$75,000 to \$100,000	10.2	6.9	5.0	5.0	7.2	5.8	5.3	6.8	7.6	7.0	7.0
\$100,000 to \$150,000	11.3	8.0	6.5	6.3	8.0	7.1	5.8	7.9	8.3	7.8	7.8
\$150,000 to \$200,000	15.9	9.6	7.4	6.7	9.6	7.7	7.3	8.8	10.4	9.5	9.5
\$200,000 and over	18.4	11.3	8.7	8.3	10.9	10.9	11.1	13.4	15.0	12.3	12.3
All Categories	9.7	6.3	5.0	5.0	6.8	6.4	5.5	6.8	7.7	7.6	7.6
Effective Federal Excise Tax Rate											
\$0 to \$10,000	4.1	3.0	2.1	3.6	4.0	1.7	4.2	4.3	2.8	5.0	5.0
\$10,000 to \$20,000	2.0	1.6	1.7	2.9	2.8	2.0	2.8	2.9	3.1	3.5	3.5
\$20,000 to \$30,000	1.4	1.0	1.4	2.0	1.9	1.7	1.9	2.2	2.6	2.4	2.4
\$30,000 to \$40,000	1.3	1.0	1.2	1.5	1.5	1.4	1.5	1.7	2.1	1.9	1.9
\$40,000 to \$50,000	1.2	0.9	1.1	1.3	1.3	1.2	1.4	1.5	1.7	1.6	1.6
\$50,000 to \$75,000	1.0	0.8	0.9	1.0	1.1	1.0	1.2	1.2	1.5	1.3	1.3
\$75,000 to \$100,000	0.9	0.7	0.7	0.8	0.9	0.9	1.0	1.0	1.3	1.0	1.0
\$100,000 to \$150,000	0.7	0.6	0.6	0.8	0.8	0.8	0.8	1.0	1.1	1.0	1.0
\$150,000 to \$200,000	0.6	0.5	0.5	0.7	0.7	0.7	0.6	0.8	0.9	1.0	1.0
\$200,000 and over	0.5	0.4	0.3	0.5	0.4	0.4	0.4	0.6	0.6	0.4	0.4
All Categories	1.3	0.9	1.0	1.3	1.3	1.1	1.3	1.5	1.6	1.4	1.4

NOTES: (Continued)

Effective tax rates are calculated by dividing taxes by household cash income.

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Table H-3b.
Shares of Federal Tax Revenues for Elderly Households, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Total Federal Tax Revenues											
\$0 to \$10,000	1.4	1.0	0.8	1.0	0.8	0.4	1.0	0.9	0.6	0.7	0.7
\$10,000 to \$20,000	3.9	2.8	2.9	3.1	2.7	2.3	2.8	3.1	2.8	2.2	2.3
\$20,000 to \$30,000	6.6	5.4	6.1	5.5	5.3	5.0	5.5	5.4	5.4	3.9	3.9
\$30,000 to \$40,000	7.9	7.3	7.6	7.2	6.6	6.6	7.7	7.1	6.8	5.4	5.4
\$40,000 to \$50,000	7.8	7.6	8.2	7.7	7.3	6.6	7.7	7.5	6.6	6.1	6.2
\$50,000 to \$75,000	18.6	16.4	17.7	16.6	16.4	14.2	17.1	17.8	15.0	13.5	13.6
\$75,000 to \$100,000	9.9	10.9	10.9	11.6	11.1	9.9	12.4	11.3	12.2	10.6	10.5
\$100,000 to \$150,000	11.5	14.4	13.9	16.7	11.4	12.2	13.4	12.2	12.9	13.3	13.2
\$150,000 to \$200,000	6.8	7.7	6.2	5.9	7.4	8.3	6.2	6.4	7.1	5.6	5.6
\$200,000 and over	25.5	26.6	25.7	24.6	31.1	34.5	26.3	28.3	30.6	38.8	38.5
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Individual Income Tax Revenues											
\$0 to \$10,000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
\$10,000 to \$20,000	0.1	0.3	0.4	0.3	0.2	0.3	0.4	0.3	0.3	0.2	0.2
\$20,000 to \$30,000	2.1	2.6	3.1	2.5	2.0	2.2	2.8	2.2	2.3	1.4	1.4
\$30,000 to \$40,000	4.8	5.0	5.2	4.7	3.7	4.3	5.3	4.7	4.4	3.5	3.6
\$40,000 to \$50,000	6.1	6.2	6.8	6.3	5.7	5.3	6.8	6.3	5.7	4.9	5.1
\$50,000 to \$75,000	17.3	15.1	16.5	15.6	15.1	13.2	17.2	17.8	14.9	13.1	13.4
\$75,000 to \$100,000	10.7	11.3	11.5	12.5	11.4	10.2	13.7	12.1	13.5	11.0	10.9
\$100,000 to \$150,000	13.8	16.5	16.0	19.3	12.7	13.2	15.4	13.9	14.9	14.7	14.6
\$150,000 to \$200,000	8.3	9.1	7.3	7.2	8.3	9.7	7.6	7.8	8.1	6.0	6.0
\$200,000 and over	36.8	33.9	33.2	31.6	40.8	41.6	31.0	35.0	35.8	45.4	44.8
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Social Insurance Tax Revenues											
\$0 to \$10,000	0.7	0.5	0.5	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.2
\$10,000 to \$20,000	4.6	4.0	3.9	2.6	2.6	2.6	2.7	2.6	2.4	2.0	2.0
\$20,000 to \$30,000	9.4	9.6	9.8	6.8	6.9	5.6	6.5	5.5	5.4	4.6	4.6
\$30,000 to \$40,000	13.0	12.7	11.7	10.7	10.2	9.1	9.3	9.2	8.8	7.9	7.9
\$40,000 to \$50,000	11.5	11.8	11.9	11.0	11.1	9.5	9.8	9.6	9.0	9.3	9.3
\$50,000 to \$75,000	26.3	24.2	22.7	23.6	22.8	23.0	22.3	24.7	21.9	19.8	19.8
\$75,000 to \$100,000	13.6	14.0	15.7	16.8	16.3	15.1	16.4	15.5	16.3	16.2	16.2
\$100,000 to \$150,000	13.0	12.5	12.7	16.1	13.4	15.4	17.7	15.0	16.2	17.1	17.1
\$150,000 to \$200,000	3.2	4.3	4.6	4.6	6.9	8.5	6.0	6.5	7.1	6.4	6.4
\$200,000 and over	4.8	6.3	6.5	7.6	9.5	11.1	9.0	11.2	12.7	16.3	16.3
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

**Table H-3b.
Continued**

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Corporate Income Tax Revenues											
\$0 to \$10,000											
\$10,000 to \$20,000	0.8	0.6	0.6	0.5	0.3	0.3	0.4	0.4	0.3	0.2	0.2
\$20,000 to \$30,000	4.9	3.9	3.7	3.8	3.2	3.0	3.1	3.4	3.0	2.3	2.3
\$30,000 to \$40,000	8.7	7.2	7.5	7.4	6.9	6.6	6.7	6.8	6.5	4.9	4.9
\$40,000 to \$50,000	9.0	8.3	8.7	8.5	7.8	7.7	8.8	7.7	7.3	5.8	5.8
\$50,000 to \$75,000	8.4	8.1	8.6	8.4	7.6	6.8	7.6	7.6	6.3	6.1	6.1
\$75,000 to \$100,000	18.4	15.9	18.0	16.1	16.4	12.3	15.2	15.8	12.7	11.9	11.9
\$100,000 to \$150,000	8.9	9.7	8.9	9.4	10.0	7.9	9.8	9.8	10.1	8.9	8.9
\$150,000 to \$200,000	10.2	12.9	12.6	14.9	10.1	10.7	10.3	10.6	10.6	11.3	11.3
\$200,000 and over	7.0	7.5	5.8	5.3	7.3	6.9	5.5	5.6	6.9	5.3	5.3
All Categories	23.7	25.8	25.6	25.6	30.4	37.8	32.5	32.3	36.1	43.3	43.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Federal Excise Tax Revenues											
\$0 to \$10,000	16.5	15.1	8.5	10.0	9.5	4.4	10.0	9.0	5.1	8.8	8.8
\$10,000 to \$20,000	18.0	17.3	17.0	19.1	17.5	14.2	16.7	17.0	15.6	16.5	16.5
\$20,000 to \$30,000	13.8	12.7	15.7	16.0	15.6	16.2	14.9	15.4	16.6	13.9	13.9
\$30,000 to \$40,000	10.9	11.1	13.3	12.5	12.7	14.1	13.7	13.1	14.2	11.6	11.6
\$40,000 to \$50,000	8.3	8.6	10.2	9.2	9.4	9.8	9.5	9.5	9.1	9.3	9.3
\$50,000 to \$75,000	14.4	13.5	15.7	12.7	14.1	14.6	14.9	14.6	14.3	13.6	13.6
\$75,000 to \$100,000	6.1	6.7	6.5	5.7	6.8	7.1	7.3	6.9	8.4	7.0	7.0
\$100,000 to \$150,000	5.0	6.5	5.9	6.9	5.5	6.8	5.8	5.9	6.7	7.9	7.9
\$150,000 to \$200,000	2.0	2.6	2.0	2.1	2.8	3.7	2.0	2.4	2.8	3.0	3.0
\$200,000 and over	4.9	5.7	5.0	5.8	6.1	9.1	5.1	6.1	7.3	8.3	8.3
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NOTES: (Continued)

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Table H-3c.
Number of Households, Average Pretax and After-Tax Income, and Shares of Pretax and After-Tax Income for Elderly Households, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Number of Households (Millions)											
\$0 to \$10,000	3.9	3.9	3.7	3.7	3.3	3.2	3.7	3.6	3.6	3.5	3.5
\$10,000 to \$20,000	4.1	4.2	4.2	4.2	4.3	4.5	4.4	4.7	4.7	4.6	4.6
\$20,000 to \$30,000	2.7	2.7	2.9	3.0	3.4	3.5	3.5	3.4	3.6	3.3	3.3
\$30,000 to \$40,000	1.7	1.8	2.0	2.2	2.4	2.6	2.8	2.6	2.7	2.5	2.5
\$40,000 to \$50,000	1.1	1.2	1.4	1.5	1.6	1.6	1.7	1.7	1.6	1.8	1.8
\$50,000 to \$75,000	1.5	1.6	1.8	1.9	2.2	2.1	2.3	2.3	2.2	2.4	2.4
\$75,000 to \$100,000	0.5	0.6	0.7	0.8	0.9	0.9	1.0	0.9	1.0	1.1	1.1
\$100,000 to \$150,000	0.4	0.5	0.5	0.7	0.6	0.7	0.7	0.6	0.7	0.9	0.9
\$150,000 to \$200,000	0.1	0.2	0.1	0.2	0.2	0.3	0.2	0.2	0.3	0.2	0.2
\$200,000 and over	0.2	0.2	0.2	0.2	0.3	0.4	0.3	0.2	0.3	0.4	0.4
All Categories	16.3	17.0	17.6	18.4	19.2	19.8	20.5	20.2	20.9	21.0	21.0
Average Income (1997 dollars)											
<i>Pretax Income</i>											
\$0 to \$10,000	7,000	7,100	7,100	7,100	7,000	7,200	7,000	6,900	7,000	7,000	7,000
\$10,000 to \$20,000	14,600	14,500	14,800	14,600	14,700	14,700	14,800	14,700	14,800	14,700	14,700
\$20,000 to \$30,000	24,700	24,700	24,800	24,800	24,800	24,900	24,900	24,700	24,800	24,800	24,800
\$30,000 to \$40,000	34,400	34,500	34,600	34,700	34,600	34,700	34,700	34,600	34,600	34,900	34,900
\$40,000 to \$50,000	44,700	44,500	44,700	44,800	44,500	44,700	44,600	44,600	44,800	44,600	44,600
\$50,000 to \$75,000	61,000	60,100	60,800	59,900	60,900	60,500	60,300	61,200	60,600	60,800	60,800
\$75,000 to \$100,000	85,500	85,900	85,400	85,900	85,400	86,200	86,400	85,500	85,400	85,900	85,900
\$100,000 to \$150,000	118,000	120,200	120,300	120,900	119,800	120,700	120,400	121,000	120,000	119,900	119,900
\$150,000 to \$200,000	175,500	172,000	173,200	169,700	174,600	169,100	171,700	169,100	171,300	171,900	171,900
\$200,000 and over	430,800	387,400	436,100	481,600	486,300	536,500	520,400	523,200	482,800	641,900	641,900
All Categories	32,800	34,900	36,000	38,400	41,200	43,500	39,800	39,300	41,200	48,000	48,000
<i>After-Tax Income</i>											
\$0 to \$10,000	6,600	6,800	6,800	6,800	6,700	7,000	6,700	6,600	6,800	6,600	6,600
\$10,000 to \$20,000	13,500	13,800	14,100	13,700	13,700	13,900	13,900	13,700	13,700	13,700	13,600
\$20,000 to \$30,000	21,900	22,400	22,600	22,600	22,500	22,500	22,700	22,400	22,100	22,300	22,300
\$30,000 to \$40,000	29,100	30,100	30,700	30,700	30,500	30,500	30,800	30,500	30,100	30,400	30,400
\$40,000 to \$50,000	36,600	37,400	38,500	38,400	37,900	38,100	38,200	37,900	37,500	37,600	37,500
\$50,000 to \$75,000	47,400	48,300	50,500	49,500	49,700	49,800	49,700	49,600	48,400	48,600	48,600
\$75,000 to \$100,000	64,300	65,900	68,200	67,700	66,600	67,800	68,100	67,100	64,400	66,100	66,300
\$100,000 to \$150,000	85,200	87,600	91,900	91,900	90,000	91,700	91,900	91,000	87,700	89,800	90,100
\$150,000 to \$200,000	116,600	120,900	128,600	126,500	127,700	123,300	126,900	122,400	121,800	124,500	124,900
\$200,000 and over	244,800	250,800	310,700	349,900	337,000	379,400	372,800	355,000	318,200	446,400	449,300
All Categories	25,900	28,300	30,100	31,900	33,500	35,400	32,900	32,000	32,600	37,900	38,000

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-3c.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Income (Percent)											
<i>Pretax Income</i>											
\$0 to \$10,000	5.1	4.6	4.1	3.7	2.9	2.7	3.2	3.1	2.9	2.4	2.4
\$10,000 to \$20,000	11.3	10.3	9.9	8.7	8.0	7.7	7.9	8.6	8.1	6.6	6.6
\$20,000 to \$30,000	12.4	11.4	11.4	10.7	10.6	10.0	10.6	10.6	10.4	8.2	8.2
\$30,000 to \$40,000	10.9	10.7	11.1	10.7	10.3	10.4	11.9	11.1	10.9	8.7	8.7
\$40,000 to \$50,000	9.1	9.1	9.6	9.3	9.2	8.3	9.3	9.4	8.4	8.1	8.1
\$50,000 to \$75,000	17.5	15.8	17.0	16.4	16.7	15.0	16.8	17.5	15.3	14.2	14.2
\$75,000 to \$100,000	8.4	8.9	8.8	9.4	9.5	8.6	10.1	9.8	10.3	9.6	9.6
\$100,000 to \$150,000	8.7	10.1	9.6	11.9	8.6	9.5	9.8	9.2	9.9	11.1	11.1
\$150,000 to \$200,000	4.3	4.9	3.9	4.0	5.2	5.7	4.2	4.3	5.1	4.2	4.2
\$200,000 and over	12.4	14.3	14.6	15.4	19.0	22.1	16.2	16.4	18.6	26.8	26.8
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>After-Tax Income</i>											
\$0 to \$10,000	6.1	5.5	4.8	4.2	3.5	3.2	3.7	3.6	3.5	2.9	2.9
\$10,000 to \$20,000	13.3	12.1	11.2	9.8	9.2	9.0	9.0	9.9	9.6	7.8	7.8
\$20,000 to \$30,000	13.9	12.8	12.5	11.7	11.8	11.1	11.6	11.8	11.7	9.3	9.3
\$30,000 to \$40,000	11.6	11.5	11.7	11.4	11.2	11.3	12.8	12.1	11.9	9.6	9.6
\$40,000 to \$50,000	9.4	9.4	9.9	9.6	9.6	8.7	9.6	9.8	8.9	8.7	8.6
\$50,000 to \$75,000	17.2	15.6	16.9	16.4	16.7	15.1	16.8	17.4	15.4	14.4	14.4
\$75,000 to \$100,000	8.0	8.4	8.4	8.9	9.2	8.4	9.7	9.4	9.8	9.4	9.4
\$100,000 to \$150,000	8.0	9.1	8.8	10.9	7.9	8.9	9.1	8.5	9.1	10.5	10.5
\$150,000 to \$200,000	3.6	4.3	3.5	3.6	4.7	5.1	3.7	3.8	4.6	3.9	3.9
\$200,000 and over	9.0	11.4	12.4	13.5	16.2	19.2	14.0	13.6	15.5	23.6	23.7
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NOTES: (Continued)

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Table H-4a.
Effective Federal Tax Rates for Nonelderly Childless Households, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Total Federal Tax Rate											
\$0 to \$10,000	0.4	1.0	1.0	0.9	0.7	0.8	0.6	0.2	-1.1	-1.2	-1.2
\$10,000 to \$20,000	4.9	5.6	5.0	5.1	4.6	4.9	4.9	4.0	3.7	3.0	2.9
\$20,000 to \$30,000	8.3	9.4	8.0	8.0	7.2	7.4	7.4	7.0	7.1	6.8	6.5
\$30,000 to \$40,000	10.4	11.4	9.6	9.4	8.7	8.8	8.8	8.4	8.4	8.2	8.0
\$40,000 to \$50,000	11.7	12.7	10.5	10.3	10.1	10.0	9.7	9.8	9.7	9.5	9.3
\$50,000 to \$75,000	13.0	14.2	11.7	11.1	10.8	10.9	10.9	10.6	10.8	10.6	10.3
\$75,000 to \$100,000	14.6	16.0	12.9	12.4	12.4	12.3	12.2	12.2	12.6	12.1	12.0
\$100,000 to \$150,000	16.5	17.8	14.4	13.9	14.3	14.0	13.6	13.5	14.0	13.8	13.6
\$150,000 to \$200,000	19.9	20.5	15.9	14.2	16.6	15.8	15.7	15.7	15.9	15.7	15.6
\$200,000 and over	22.3	21.4	18.0	17.5	19.1	19.6	19.5	21.8	23.6	22.9	22.4
All Categories	13.6	14.6	12.0	11.9	12.1	12.5	12.2	12.5	12.8	13.4	13.1
Effective Individual Income Tax Rate											
\$0 to \$10,000	0.4	1.0	1.0	0.9	0.7	0.8	0.6	0.2	-1.1	-1.2	-1.2
\$10,000 to \$20,000	4.9	5.6	5.0	5.1	4.6	4.9	4.9	4.0	3.7	3.0	2.9
\$20,000 to \$30,000	8.3	9.4	8.0	8.0	7.2	7.4	7.4	7.0	7.1	6.8	6.5
\$30,000 to \$40,000	10.4	11.4	9.6	9.4	8.7	8.8	8.8	8.4	8.4	8.2	8.0
\$40,000 to \$50,000	11.7	12.7	10.5	10.3	10.1	10.0	9.7	9.8	9.7	9.5	9.3
\$50,000 to \$75,000	13.0	14.2	11.7	11.1	10.8	10.9	10.9	10.6	10.8	10.6	10.3
\$75,000 to \$100,000	14.6	16.0	12.9	12.4	12.4	12.3	12.2	12.2	12.6	12.1	12.0
\$100,000 to \$150,000	16.5	17.8	14.4	13.9	14.3	14.0	13.6	13.5	14.0	13.8	13.6
\$150,000 to \$200,000	19.9	20.5	15.9	14.2	16.6	15.8	15.7	15.7	15.9	15.7	15.6
\$200,000 and over	22.3	21.4	18.0	17.5	19.1	19.6	19.5	21.8	23.6	22.9	22.4
All Categories	13.6	14.6	12.0	11.9	12.1	12.5	12.2	12.5	12.8	13.4	13.1
Effective Social Insurance Tax Rate											
\$0 to \$10,000	6.3	6.9	6.9	7.4	7.6	8.6	8.2	8.2	8.9	8.6	8.6
\$10,000 to \$20,000	8.7	9.3	9.3	10.1	10.3	10.7	11.2	11.0	11.1	11.1	11.1
\$20,000 to \$30,000	9.2	10.1	10.1	10.9	10.9	11.5	11.8	11.9	12.0	12.0	12.0
\$30,000 to \$40,000	9.5	10.1	10.0	10.8	11.0	11.4	11.6	11.7	12.1	12.0	12.0
\$40,000 to \$50,000	9.5	10.0	10.1	10.6	11.0	11.6	11.7	12.3	12.3	12.1	12.1
\$50,000 to \$75,000	9.1	10.0	10.1	10.9	11.1	11.5	11.7	12.2	12.4	12.2	12.2
\$75,000 to \$100,000	8.4	9.1	9.5	10.3	10.5	11.1	11.5	12.0	12.0	12.0	12.0
\$100,000 to \$150,000	6.8	7.6	8.1	9.1	9.5	10.0	10.9	10.9	11.0	10.6	10.6
\$150,000 to \$200,000	4.8	5.4	5.9	6.9	7.8	8.1	8.6	8.9	9.0	9.0	9.0
\$200,000 and over	1.8	2.0	2.0	2.3	2.8	2.9	3.5	3.5	4.6	3.8	3.8
All Categories	7.8	8.6	8.6	9.1	9.4	9.6	10.0	10.2	10.6	9.8	9.8

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-4a.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Effective Corporate Income Tax Rate											
\$0 to \$10,000	1.7	1.0	0.8	0.7	0.8	1.0	0.7	0.8	0.7	0.6	0.6
\$10,000 to \$20,000	1.3	0.8	0.7	0.6	0.7	0.7	0.6	0.8	0.7	0.7	0.7
\$20,000 to \$30,000	1.3	0.9	0.7	0.6	0.9	0.8	0.6	0.8	0.7	0.8	0.8
\$30,000 to \$40,000	1.3	0.8	0.9	0.8	1.0	0.8	0.8	1.0	0.8	0.9	0.9
\$40,000 to \$50,000	1.3	1.1	0.9	0.9	1.1	0.9	0.9	0.8	0.9	1.0	1.0
\$50,000 to \$75,000	1.7	1.1	0.9	0.9	1.2	1.1	0.9	1.0	1.1	1.0	1.0
\$75,000 to \$100,000	2.1	1.6	1.1	1.1	1.4	1.3	1.1	1.2	1.4	1.2	1.2
\$100,000 to \$150,000	3.6	2.5	1.6	1.4	1.8	1.6	1.3	2.0	2.1	2.0	2.0
\$150,000 to \$200,000	5.9	3.6	2.4	2.3	2.8	2.2	2.6	2.9	3.7	3.2	3.2
\$200,000 and over	11.9	6.9	5.1	5.1	6.2	5.5	5.4	7.0	6.6	5.9	5.9
All Categories	3.1	2.0	1.6	1.7	2.0	1.9	1.8	2.2	2.2	2.4	2.4
Effective Federal Excise Tax Rate											
\$0 to \$10,000	3.9	3.0	3.6	4.4	5.7	3.5	4.0	4.2	6.2	5.6	5.6
\$10,000 to \$20,000	2.0	1.5	1.7	2.0	2.2	1.9	1.9	2.2	2.6	2.5	2.5
\$20,000 to \$30,000	1.5	1.2	1.1	1.4	1.4	1.3	1.4	1.5	1.6	1.4	1.4
\$30,000 to \$40,000	1.2	0.9	1.0	1.1	1.1	1.1	1.2	1.2	1.4	1.2	1.2
\$40,000 to \$50,000	1.1	0.8	0.9	0.9	1.0	1.0	1.1	1.1	1.2	1.1	1.1
\$50,000 to \$75,000	1.0	0.7	0.9	0.8	0.8	0.9	0.9	0.9	1.0	0.9	0.9
\$75,000 to \$100,000	0.8	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.9	0.8	0.8
\$100,000 to \$150,000	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6
\$150,000 to \$200,000	0.7	0.5	0.6	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5
\$200,000 and over	0.6	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.3
All Categories	1.0	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.1	0.9	0.9

NOTES: (Continued)

Effective tax rates are calculated by dividing taxes by household cash income.

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Table H-4b.
Shares of Federal Tax Revenues for Nonelderly Childless Households, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Total Federal Tax Revenues											
\$0 to \$10,000	0.6	0.7	0.8	0.7	0.8	0.7	0.7	0.7	0.8	0.7	0.7
\$10,000 to \$20,000	3.1	3.2	3.6	3.5	3.2	3.2	3.2	3.2	3.0	2.5	2.5
\$20,000 to \$30,000	6.5	7.0	7.0	6.9	6.0	5.8	6.0	6.0	5.7	5.0	5.0
\$30,000 to \$40,000	8.5	8.9	8.8	8.9	8.0	7.2	8.0	7.7	7.2	6.0	6.0
\$40,000 to \$50,000	10.2	10.4	9.9	8.6	8.7	8.4	8.3	7.8	8.2	7.0	7.0
\$50,000 to \$75,000	23.1	23.1	23.3	21.6	20.4	19.8	20.1	18.2	18.6	17.0	17.0
\$75,000 to \$100,000	14.6	15.7	15.4	15.1	15.1	15.0	14.5	15.0	14.8	12.9	12.9
\$100,000 to \$150,000	12.9	14.0	14.2	13.3	15.2	15.3	14.2	13.9	14.6	14.2	14.2
\$150,000 to \$200,000	4.9	4.5	4.2	5.3	6.5	5.7	6.2	6.1	6.3	6.5	6.5
\$200,000 and over	15.5	12.2	12.8	15.9	16.0	18.8	18.8	21.3	20.8	28.2	28.0
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Individual Income Tax Revenues											
\$0 to \$10,000	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	-0.1	-0.1	-0.1
\$10,000 to \$20,000	1.7	1.9	2.1	2.0	1.7	1.7	1.7	1.5	1.3	0.9	0.8
\$20,000 to \$30,000	5.0	5.5	5.4	5.2	4.3	4.1	4.3	4.1	3.9	3.2	3.1
\$30,000 to \$40,000	7.5	7.8	7.5	7.5	6.4	5.7	6.4	6.0	5.5	4.4	4.4
\$40,000 to \$50,000	9.5	9.6	8.9	7.7	7.6	7.2	7.0	6.6	6.8	5.6	5.5
\$50,000 to \$75,000	22.8	22.5	22.0	20.0	18.6	17.6	18.4	16.1	16.5	14.4	14.3
\$75,000 to \$100,000	15.4	16.4	15.7	15.0	15.1	14.5	14.1	14.5	14.5	11.8	11.9
\$100,000 to \$150,000	14.5	15.6	15.7	14.5	16.7	16.3	14.8	14.4	15.3	14.2	14.4
\$150,000 to \$200,000	5.8	5.5	5.2	6.3	7.8	6.7	7.2	7.1	7.2	7.1	7.1
\$200,000 and over	17.8	15.1	17.3	21.7	21.7	26.1	26.0	29.6	29.1	38.6	38.5
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Social Insurance Tax Revenues											
\$0 to \$10,000	1.1	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2
\$10,000 to \$20,000	5.3	5.3	5.3	5.2	4.8	4.8	4.8	4.9	4.6	4.3	4.3
\$20,000 to \$30,000	9.6	9.9	9.5	9.3	8.4	8.2	8.3	8.5	8.0	7.8	7.8
\$30,000 to \$40,000	11.9	11.7	11.0	11.3	10.5	9.6	10.3	10.2	9.6	8.8	8.8
\$40,000 to \$50,000	13.5	12.9	11.9	10.4	10.7	10.7	10.3	10.2	10.5	9.7	9.7
\$50,000 to \$75,000	27.9	26.8	26.8	25.8	24.7	24.0	23.9	22.7	23.0	22.8	22.8
\$75,000 to \$100,000	15.4	15.8	16.2	16.5	16.5	17.0	16.2	17.5	16.7	16.0	16.0
\$100,000 to \$150,000	10.3	11.4	12.5	12.5	14.4	15.1	14.5	14.2	14.5	15.0	15.0
\$150,000 to \$200,000	2.4	2.5	2.7	4.0	4.8	4.4	4.8	4.9	4.9	5.5	5.5
\$200,000 and over	2.5	2.4	2.7	3.8	4.1	4.9	5.8	5.7	6.9	8.8	8.8
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-4b.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	
										Under 1997 Law	Under 2001 Law
Share of Corporate Income Tax Revenues											
\$0 to \$10,000	0.7	0.7	0.7	0.5	0.5	0.6	0.5	0.5	0.5	0.3	0.3
\$10,000 to \$20,000	1.9	2.0	2.2	1.8	1.6	1.6	1.4	1.7	1.5	1.2	1.2
\$20,000 to \$30,000	3.4	3.6	3.8	2.8	3.1	2.8	2.5	2.5	2.4	2.0	2.0
\$30,000 to \$40,000	4.0	4.1	5.3	4.5	4.5	3.4	4.0	4.0	3.1	2.7	2.7
\$40,000 to \$50,000	4.7	6.0	5.6	4.7	4.8	4.3	4.3	3.1	3.7	3.3	3.3
\$50,000 to \$75,000	12.8	13.1	13.5	11.8	12.2	12.0	10.8	8.8	9.6	7.7	7.7
\$75,000 to \$100,000	9.8	11.9	10.7	9.9	10.6	9.6	8.7	7.9	9.2	6.5	6.5
\$100,000 to \$150,000	13.8	15.8	13.9	10.9	12.4	11.9	9.8	11.6	13.0	11.6	11.6
\$150,000 to \$200,000	7.5	7.0	6.1	7.4	7.8	6.1	8.2	7.1	9.6	8.1	8.1
\$200,000 and over	41.1	35.7	37.8	45.6	42.5	47.4	49.7	52.7	47.4	56.5	56.5
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of Federal Excise Tax Revenues											
\$0 to \$10,000	5.0	5.4	6.0	6.3	8.5	5.0	5.9	5.8	8.2	8.4	8.4
\$10,000 to \$20,000	8.9	9.2	9.4	10.5	10.5	9.5	9.3	10.3	10.6	11.0	11.0
\$20,000 to \$30,000	11.7	12.3	10.3	12.2	10.7	10.7	10.9	11.4	10.5	10.2	10.2
\$30,000 to \$40,000	11.1	11.1	10.7	11.4	11.2	10.6	11.8	11.5	11.2	9.7	9.7
\$40,000 to \$50,000	11.3	11.1	10.9	9.3	9.9	10.5	10.4	9.2	9.8	9.4	9.4
\$50,000 to \$75,000	22.5	21.1	22.4	19.4	18.8	20.2	19.8	18.2	18.6	18.3	18.3
\$75,000 to \$100,000	11.6	11.9	11.3	11.5	11.5	12.5	11.8	11.7	11.8	11.1	11.1
\$100,000 to \$150,000	8.8	9.2	9.5	8.8	9.8	10.4	9.4	9.7	9.3	10.2	10.2
\$150,000 to \$200,000	2.6	2.5	2.6	3.0	3.2	3.1	3.4	3.5	3.2	3.7	3.7
\$200,000 and over	5.7	5.0	5.8	5.1	4.2	5.8	6.2	7.2	5.1	6.8	6.8
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NOTES: (Continued)

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Table H-4c.
Number of Households, Average Pretax and After-Tax Income, and Shares of Pretax and After-Tax Income for Nonelderly Childless Households, by Dollar Income Category, Using Household Cash Income, 1979-1997

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1997		
									Under 1997 Law	Under 2001 Law	
Number of Households (Millions)											
\$0 to \$10,000	3.5	4.0	4.5	4.2	4.7	4.5	4.7	5.0	5.4	5.6	5.6
\$10,000 to \$20,000	4.7	5.1	5.4	5.7	5.7	6.0	6.0	6.4	6.3	6.4	6.4
\$20,000 to \$30,000	5.0	5.4	5.4	5.6	5.6	5.8	5.9	6.1	6.0	6.2	6.2
\$30,000 to \$40,000	4.3	4.5	4.5	5.0	4.9	4.9	5.4	5.4	5.1	5.1	5.1
\$40,000 to \$50,000	3.8	3.9	3.8	3.6	3.9	4.2	4.2	3.9	4.3	4.3	4.3
\$50,000 to \$75,000	6.0	5.9	6.1	6.4	6.5	6.9	7.0	6.5	6.8	7.4	7.4
\$75,000 to \$100,000	2.5	2.7	2.8	3.1	3.3	3.6	3.4	3.6	3.7	3.7	3.7
\$100,000 to \$150,000	1.5	1.7	1.8	1.9	2.3	2.6	2.3	2.3	2.5	2.9	2.9
\$150,000 to \$200,000	0.4	0.4	0.4	0.6	0.6	0.7	0.7	0.7	0.7	0.9	0.9
\$200,000 and over	0.4	0.4	0.4	0.6	0.6	0.8	0.7	0.8	0.8	1.1	1.1
All Categories	32.7	34.7	35.9	37.5	38.9	40.6	41.3	41.6	42.7	45.0	45.0
Average Income (1997 dollars)											
<i>Pretax Income</i>											
\$0 to \$10,000	5,800	5,600	5,400	5,600	5,600	5,700	5,800	5,600	5,700	5,800	5,800
\$10,000 to \$20,000	15,200	15,100	15,000	15,100	15,000	15,200	14,900	15,000	14,900	14,700	14,700
\$20,000 to \$30,000	24,900	24,900	24,800	25,100	24,800	25,000	25,000	25,000	24,900	25,100	25,100
\$30,000 to \$40,000	34,900	34,900	34,900	34,800	34,900	34,700	34,700	34,800	34,900	34,800	34,800
\$40,000 to \$50,000	44,800	44,800	44,600	44,800	44,900	44,800	44,600	44,800	44,800	44,800	44,800
\$50,000 to \$75,000	61,000	60,900	61,100	61,100	61,200	61,300	61,200	60,800	61,200	61,100	61,100
\$75,000 to \$100,000	85,600	85,800	85,600	85,700	85,900	86,200	86,000	85,900	85,900	86,400	86,400
\$100,000 to \$150,000	118,500	117,800	118,800	118,400	119,400	119,700	119,800	119,600	120,100	119,500	119,500
\$150,000 to \$200,000	171,400	170,200	171,000	168,700	170,300	168,400	169,300	170,500	170,500	171,500	171,500
\$200,000 and over	401,100	419,700	486,700	471,500	457,500	460,400	457,100	462,900	431,500	526,500	526,500
All Categories	46,500	45,400	45,900	48,500	49,300	51,700	50,700	49,900	49,800	55,200	55,200
<i>After-Tax Income</i>											
\$0 to \$10,000	5,100	5,000	4,800	4,900	4,800	4,900	5,000	4,900	4,900	5,000	5,000
\$10,000 to \$20,000	12,600	12,500	12,500	12,400	12,300	12,400	12,200	12,300	12,200	12,200	12,200
\$20,000 to \$30,000	19,900	19,500	19,900	19,800	19,700	19,800	19,700	19,800	19,600	19,800	19,900
\$30,000 to \$40,000	27,100	26,800	27,400	27,200	27,200	27,100	26,900	27,000	27,000	27,000	27,100
\$40,000 to \$50,000	34,200	33,700	34,600	34,700	34,500	34,300	34,200	34,100	34,000	34,200	34,300
\$50,000 to \$75,000	45,900	45,000	46,700	46,600	46,600	46,300	46,300	45,700	45,800	46,000	46,100
\$75,000 to \$100,000	63,400	62,400	64,900	64,700	64,300	64,300	64,100	63,400	62,900	63,900	64,100
\$100,000 to \$150,000	85,700	84,300	89,400	88,700	88,000	88,400	88,200	87,200	86,800	87,200	87,400
\$150,000 to \$200,000	117,900	119,100	128,500	128,200	123,000	123,600	122,900	122,700	120,700	122,800	123,000
\$200,000 and over	254,500	290,900	362,800	352,500	327,600	330,300	325,700	311,800	279,600	353,300	356,000
All Categories	34,500	33,600	35,300	37,100	37,300	38,800	38,100	37,000	36,500	40,600	40,700

SOURCE: Congressional Budget Office.

NOTES: A household consists of the people who share a housing unit, regardless of their relationships. A household with children has at least one member under age 18. An elderly household is one with no member under age 18 and at least one member age 65 or older. A nonelderly childless household is one with no member under age 18 or over age 64.

Table H-4c.
Continued

Income Category	1979	1981	1983	1985	1987	1989	1991	1993	1997		
									Under 1995 Law	Under 2001 Law	
Share of Income (Percent)											
<i>Pretax Income</i>											
\$0 to \$10,000	1.3	1.4	1.5	1.3	1.4	1.2	1.3	1.3	1.5	1.3	1.3
\$10,000 to \$20,000	4.7	4.9	4.9	4.7	4.4	4.3	4.3	4.6	4.4	3.8	3.8
\$20,000 to \$30,000	8.2	8.5	8.1	7.8	7.3	6.9	7.0	7.4	7.1	6.3	6.3
\$30,000 to \$40,000	9.8	9.9	9.5	9.5	8.9	8.1	8.9	9.0	8.4	7.2	7.2
\$40,000 to \$50,000	11.1	11.0	10.2	8.9	9.2	8.9	8.8	8.4	9.1	7.8	7.8
\$50,000 to \$75,000	23.9	23.0	22.8	21.4	20.9	20.1	20.5	19.1	19.7	18.2	18.2
\$75,000 to \$100,000	14.4	14.9	14.7	14.5	14.8	14.7	14.1	14.9	14.8	13.0	13.0
\$100,000 to \$150,000	12.0	12.8	13.2	12.5	14.2	14.5	13.4	13.3	14.1	13.8	13.8
\$150,000 to \$200,000	4.0	3.9	3.9	5.3	5.7	5.3	5.6	5.6	5.8	6.0	6.0
\$200,000 and over	10.8	10.3	11.6	14.8	13.8	16.6	16.3	16.9	15.8	22.6	22.6
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>After-Tax Income</i>											
\$0 to \$10,000	1.6	1.7	1.7	1.5	1.5	1.4	1.5	1.6	1.7	1.5	1.5
\$10,000 to \$20,000	5.3	5.5	5.3	5.1	4.8	4.7	4.7	5.1	4.9	4.3	4.3
\$20,000 to \$30,000	8.8	9.0	8.4	8.0	7.7	7.3	7.4	7.8	7.6	6.8	6.8
\$30,000 to \$40,000	10.3	10.3	9.7	9.7	9.2	8.4	9.2	9.4	8.9	7.6	7.6
\$40,000 to \$50,000	11.4	11.2	10.2	9.0	9.3	9.1	9.0	8.7	9.4	8.1	8.1
\$50,000 to \$75,000	24.2	23.0	22.6	21.3	21.1	20.2	20.7	19.4	20.1	18.6	18.6
\$75,000 to \$100,000	14.3	14.6	14.5	14.4	14.6	14.6	14.0	14.9	14.8	13.1	13.1
\$100,000 to \$150,000	11.6	12.4	12.9	12.3	13.8	14.3	13.1	13.1	13.9	13.7	13.7
\$150,000 to \$200,000	3.7	3.7	3.9	5.2	5.5	5.2	5.4	5.4	5.6	5.9	5.9
\$200,000 and over	9.2	9.7	11.3	14.5	13.1	15.8	15.5	15.4	14.0	20.6	20.7
All Categories	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NOTES: (Continued)

Pretax household cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, and cash transfer payments. Income also includes the corporate income tax and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes. Households with negative income are excluded from the lowest income category but are included in totals.

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

Appendix I

**Detailed Tables for Alternative Measures
of Income, 1979-1997**

Appendix I is not included in this version of the study.

**Table Showing Taxes and Income Based
on Tax-Return Data, by Categories
of Adjusted Gross Income, 1995-1999**

Table J-1.
Federal Individual Income Tax Revenues and Income Based on Tax-Return Data,
by Adjusted Gross Income, 1995-1999

AGI Group	1995	1996	1997	1998	1999
Effective Federal Individual Income Tax Rate (Percent)					
\$0 to \$10,000	-5.8	-6.2	-6.1	-6.1	-5.9
\$10,000 to \$20,000	0.3	0.2	-0.2	-0.6	-0.5
\$20,000 to \$30,000	7.0	6.9	6.9	6.1	6.1
\$30,000 to \$50,000	9.9	10.0	10.0	9.3	9.3
\$50,000 to \$75,000	11.6	11.7	11.7	11.1	11.1
\$75,000 to \$100,000	14.0	14.2	14.1	13.6	13.7
\$100,000 to \$150,000	16.8	16.8	16.7	16.5	16.5
\$150,000 to \$200,000	19.6	19.7	19.5	19.2	19.3
\$200,000 and above	<u>28.1</u>	<u>28.0</u>	<u>27.0</u>	<u>26.2</u>	<u>27.0</u>
All Groups	13.5	14.0	14.2	14.0	14.6
Total Adjusted Gross Income (Millions of dollars)					
\$0 to \$10,000	131,405	132,762	131,959	130,208	133,948
\$10,000 to \$20,000	347,439	355,918	356,442	359,537	358,384
\$20,000 to \$30,000	436,670	435,543	439,948	452,306	454,715
\$30,000 to \$50,000	856,877	872,678	894,171	902,664	912,629
\$50,000 to \$75,000	905,141	925,149	946,310	990,686	1,013,866
\$75,000 to \$100,000	554,029	555,159	595,221	637,447	673,044
\$100,000 to \$150,000	468,955	496,403	543,200	609,880	643,215
\$150,000 to \$200,000	195,009	210,094	239,307	258,437	290,683
\$200,000 and above	<u>744,746</u>	<u>890,748</u>	<u>1,067,823</u>	<u>1,248,838</u>	<u>1,401,713</u>
All Groups	4,579,856	4,816,522	5,158,839	5,535,590	5,813,856
Share of Adjusted Gross Income (Percent)					
\$0 to \$10,000	2.8	2.7	2.5	2.3	2.3
\$10,000 to \$20,000	7.5	7.3	6.8	6.4	6.1
\$20,000 to \$30,000	9.4	8.9	8.4	8.1	7.7
\$30,000 to \$50,000	18.5	17.9	17.1	16.1	15.5
\$50,000 to \$75,000	19.5	19.0	18.1	17.7	17.2
\$75,000 to \$100,000	11.9	11.4	11.4	11.4	11.4
\$100,000 to \$150,000	10.1	10.2	10.4	10.9	10.9
\$150,000 to \$200,000	4.2	4.3	4.6	4.6	4.9
\$200,000 and above	<u>16.0</u>	<u>18.3</u>	<u>20.5</u>	<u>22.3</u>	<u>23.8</u>
All Groups	100.0	100.0	100.0	100.0	100.0

Table J-1.
Continued

AGI Group	1995	1996	1997	1998	1999
Total Individual Income Taxes (Millions of dollars)					
\$0 to \$10,000	(7,612)	(8,266)	(7,994)	(7,996)	(7,849)
\$10,000 to \$20,000	1,123	682	(680)	(2,137)	(1,630)
\$20,000 to \$30,000	30,719	30,107	30,501	27,540	27,651
\$30,000 to \$50,000	85,091	87,562	89,021	84,283	84,597
\$50,000 to \$75,000	105,272	108,422	110,873	110,145	112,804
\$75,000 to \$100,000	77,824	79,105	84,210	86,647	92,024
\$100,000 to \$150,000	78,744	83,425	90,587	100,574	106,303
\$150,000 to \$200,000	38,192	41,437	46,576	49,506	56,205
\$200,000 and above	<u>208,994</u>	<u>249,622</u>	<u>288,360</u>	<u>327,368</u>	<u>378,704</u>
All Groups	618,341	672,138	731,483	775,949	848,845
Share of Federal Individual Income Tax Revenues (Percent)					
\$0 to \$10,000	-1.2	-1.2	-1.1	-1.0	-0.9
\$10,000 to \$20,000	0.2	0.1	-0.1	-0.3	-0.2
\$20,000 to \$30,000	5.0	4.5	4.2	3.5	3.3
\$30,000 to \$50,000	13.8	13.0	12.2	10.9	10.0
\$50,000 to \$75,000	17.0	16.1	15.2	14.2	13.3
\$75,000 to \$100,000	12.6	11.8	11.5	11.2	10.8
\$100,000 to \$150,000	12.7	12.4	12.4	13.0	12.5
\$150,000 to \$200,000	6.2	6.2	6.4	6.4	6.6
\$200,000 and above	33.8	37.1	39.4	42.2	44.6
All Groups	100.0	100.0	100.0	100.0	100.0
Thousands of Tax Returns					
\$0 to \$10,000	26,435	26,950	26,439	25,832	26,560
\$10,000 to \$20,000	23,486	23,962	24,061	24,189	24,105
\$20,000 to \$30,000	17,706	17,617	17,819	18,336	18,392
\$30,000 to \$50,000	21,912	22,285	22,894	23,088	23,357
\$50,000 to \$75,000	14,822	15,124	15,518	16,209	16,585
\$75,000 to \$100,000	6,452	6,462	6,957	7,441	7,840
\$100,000 to \$150,000	3,939	4,187	4,573	5,119	5,388
\$150,000 to \$200,000	1,139	1,228	1,397	1,507	1,697
\$200,000 and above	<u>1,488</u>	<u>1,690</u>	<u>1,931</u>	<u>2,172</u>	<u>2,420</u>
All Groups	118,221	120,353	122,422	124,771	127,668

SOURCE: Congressional Budget Office tabulations of IRS data for 1995-1998. IRS tabulations of Master File for 1999.

NOTES: All dollar values are in 1999 dollars. Returns with negative AGI are excluded from the lowest income group but are included in totals.

Comparison of Effective Tax Rates and Income Under Alternative Measures of Income

Appendix K is not included in this version of the study.

