# PRESS RELEASE

# PROGRESSION IN TAX PAYMENTS EXPLAINS VARIABLE TAX RELIEF BENEFITS

**WASHINGTON, D.C.** – The skewed pattern of current personal income tax payments is the primary explanation of the variation in projected tax benefits for different income groups under proposed tax relief legislation, Congressman Jim Saxton said today.  Unfortunately, many tables displaying estimates of benefits under tax relief legislation usually fail to disclose vital information regarding the shares or amount of taxes borne by each income group before and after such legislation takes effect.

Tax distribution tables usually make tax relief proposals appear skewed to benefit the rich, an easy impression to create if the shares or amount of taxes previously paid are not disclosed.  Statistics of Income (SOI) data from the Internal Revenue Service (IRS) recently calculated by the Joint Economic Committee (JEC) provide a useful framework for evaluating such claims.  Although there is considerable dispersion of tax liability even within a particular income group, if average benefits are to be calculated for each income group, then average tax payments are needed to provide the necessary framework or context for evaluation.

"It makes little sense to talk about the variation in tax benefits provided under tax relief unless the variation in previous tax payments is disclosed and examined," Saxton said.  "Otherwise the variation in tax benefits might mistakenly be attributed to the skewed structure of tax legislation, instead of the skewed pattern of current tax payments."

"The bottom line is that many low income tax filers received net transfers from the income tax system, while taxpayers with over $1 million in adjusted gross income (AGI) paid an average income tax of $944,241 in 2000.  We could reduce the effective income tax rate by 100 percent for some low-income taxpayers, and that of the affluent by one- hundredth as much – one percent -- and the result would still be distribution tables that would make such a tax package appear designed to disproportionately benefit the affluent.  The reasons for this may not be obvious to many until they realize that some groups of affluent taxpayers have average income tax liabilities that are many tens of thousands of dollars, ranging in some cases to over several hundreds of thousands of dollars annually.  Of course, if these facts are not disclosed, it is much more difficult for the average citizen to understand what is behind the typical distribution table," Saxton concluded.

| Amount of AGI | Number of Returns (All Returns) | Total Income Tax Amount Including Refundable Credits US$000 | Average Income Tax Including Refundable Credits (All Returns) |
|---|---|---|---|
| All returns | 129,373,500 | $951,863,601 | $7,357 |
| No AGI | 1,146,357 | -$137,046 | -$120 |
| $1 under $5,000 | 12,802,742 | -$1,377,684 | -$108 |
| $5,000 under $10,000 | 12,801,602 | -$5,398,153 | -$422 |
| $10,000 under $15,000 | 12,111,065 | -$4,302,364 | -$355 |
| $15,000 under $20,000 | 11,661,534 | $2,650,419 | $227 |
| $20,000 under $25,000 | 9,993,115 | $10,647,661 | $1,065 |
| $25,000 under $30,000 | 8,368,758 | $15,734,990 | $1,880 |
| $30,000 under $40,000 | 13,547,727 | $40,049,195 | $2,956 |
| $40,000 under $50,000 | 10,412,090 | $45,669,169 | $4,386 |
| $50,000 under $75,000 | 17,076,159 | $115,693,779 | $6,775 |
| $75,000 under $100,000 | 8,597,328 | $99,803,170 | $11,609 |
| $100,000 under $200,000 | 8,083,447 | $184,034,904 | $22,767 |
| $200,000 under $500,000 | 2,135,763 | $146,454,328 | $68,572 |
| $500,000 under $1,000,000 | 396,131 | $76,021,565 | $191,910 |
| $1,000,000 or more | 239,685 | $226,320,419 | $944,241 |

Source:  JEC Calculations based on SOI Data for TY2000- SOI Bulletin Fall 2002
Detail may not add due to rounding.

For information on the shares of income taxes borne by each income group, see the October 24, 2002 JEC release and linked SOI/IRS data at www.house.gov/jec.