



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
February 10, 2003

Press Release #108-7
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NEW INCOME MOBILITY DATA UNDERMINE SIMPLISTIC TAX DISTRIBUTION TABLES

WASHINGTON, D.C. – The significant degree of income mobility evident in new data released by the Administration shows how misleading tax distribution tables prepared by advocacy groups often are, Congressman Jim Saxton said today. Such tables often purport to measure the tax benefits from tax relief for taxpayers in various income groups, but suffer from a number of weaknesses, including essentially ignoring the impact of income mobility by focusing on a snapshot of taxpayers at one point in time. Saxton had requested an Administration update of income mobility statistics for tax filers as the data previously requested and received by the Joint Economic Committee over 10 years ago were becoming dated. The new data are contained in a table on page 199 of *The Annual Report of the Council of Economic Advisers (2003)*.

“These data show that America is not some kind of caste system, where taxpayers are cemented into a particular income group for extended periods of time,” Saxton said. “The reality is that in our dynamic and flexible economy, most tax filers will move to other income levels, with significant changes shown over a decade-long period.

“For example, the new figures show that between 1987 and 1996, 66.2 percent of tax filers exited the bottom tax bracket (as defined by the 2001 tax law). Over the same period, 76.0 percent exited the 28 percent bracket as defined by 2001 law, while 50.9 percent exited the top tax bracket. Similar degrees of mobility can be reasonably expected over the next decade.

“The bottom line is that tax distribution tables often are incomplete and misleading measures of how tax changes may affect particular taxpayers. Not only do the tax situations of taxpayers at the same income levels differ greatly depending on filing status and many other factors, but most taxpayers eventually experience changes in income that result in their moving to another tax bracket,” Saxton concluded.

Taxpayers by EGTRRA Rate Bracket Using Panel Of Taxpayers from 1987 through 1996

Year 1 tax bracket (percent)	Year 10 tax bracket (percent)							Returns in year 1 (thousands)
	0	10	15	25	28	33	35	
	Taxpayers by rate bracket (percent distribution)							
0	33.8	24.7	32.1	7.7	0.8	0.5	0.3	10,360
10	20.1	29.3	40.8	8.8	0.6	0.3	0.1	15,370
15	8.6	13.3	53.4	22.9	1.2	0.4	0.2	50,059
25	3.9	5.1	29.9	51.4	6.7	2.2	0.8	31,427
28	3.3	2.8	11.6	35.9	24.0	14.7	7.5	2,682
33	4.7	2.6	9.1	21.0	18.9	23.9	19.8	1,096
35	5.1	1.9	5.7	10.4	8.8	19.0	49.1	633

Note.—Tabulations from 1987-1996 panel of taxpayers. Tabulations include only non-dependent taxpayers present in all years of the panel data set. Each cell entry indicates the percent of taxpayers in a rate bracket in the last year of the panel (i.e., column entry) relative to the number of all taxpayers in that rate bracket in the first year of the panel (i.e., row sum).

Source: Council of Economic Advisers, based on tabulations provided by Department of the Treasury, Office of Tax Analysis.

For more information on distributional analysis and income mobility, please visit the JEC website at www.house.gov/jec.