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VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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NEW STUDY SHOWS WHY TAX DISTRIBUTION TABLES SHOULD NOT DRIVE TAX POLICY

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WASHINGTON, D.C. – Tax distribution tables are often incomplete, biased and misleading and thus should not drive U.S. tax policy, according to a new Joint Economic Committee study released today by Vice Chairman Jim Saxton. The new study, *A Comparison of Tax Distribution Tables: How Missing or Incomplete Information Distorts Perspectives*, is the latest product of a JEC research program on tax distribution issues. Tax distribution tables are typically used to project and allot changes in taxation to specific income groups, but often omit basic information such as the share of taxes paid by such groups before and after a given tax measure takes effect.

“In practice, the use of tax distribution tables in tax policy is hard to separate from the promotion of class warfare,” Saxton said. “Virtually any tax relief legislation is always attacked in the same way, as a giveaway to the rich. In reality, of course, the tax benefits from tax rate reduction to a great extent simply reflect the previous allocation of the tax burden.

“For example, those who pay hundreds of thousands of dollars in income taxes annually will tend to have an absolute amount of income tax relief larger than those who pay little or no income taxes. This isn’t because a given tax measure is unfair, but because even a smaller rate reduction on a huge base will be a greater amount than a larger percentage rate reduction on a much smaller base. With the top half of taxpayers shouldering 96 percent of the income tax burden, it is almost unavoidable that they will receive the bulk of income tax relief in any given tax year. Moreover, there is a great deal of mobility between taxpayer income groups over any significant length of time. But all this is often obscured in commonly used tax distribution tables.

“Underlying this issue is a philosophical difference about tax policy. Along with many others, I think that tax policy should be geared to facilitate saving, investment, and economic growth. On the other hand, there are those who see a central purpose of tax policy as redistributing income, guided by some undefined and subjective notion of social justice. According to this redistributive point of view, tax distribution tables, despite all their defects, are indispensable. However, Congress cannot base tax policy on such a defective and statistically dubious foundation,” Saxton concluded.

For more information on tax policy, please visit our website at www.house.gov/jec.

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