



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

Congressman Jim Saxton
Ranking Republican Member

PRESS RELEASE

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CBO DATA SHOW MIDDLE INCOME TAX BURDEN AT LOWEST LEVELS IN DECADES

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WASHINGTON, D.C. – Congressional Budget Office (CBO) data show that the total effective federal tax rate of the middle fifth of households declined after 2001 to its lowest levels since at least 1979, Congressman Jim Saxton, ranking member of the Joint Economic Committee, said today. Under the 2001 and 2003 tax relief legislation, the income tax as a share of income for the middle fifth also has fallen to its lowest levels in decades.

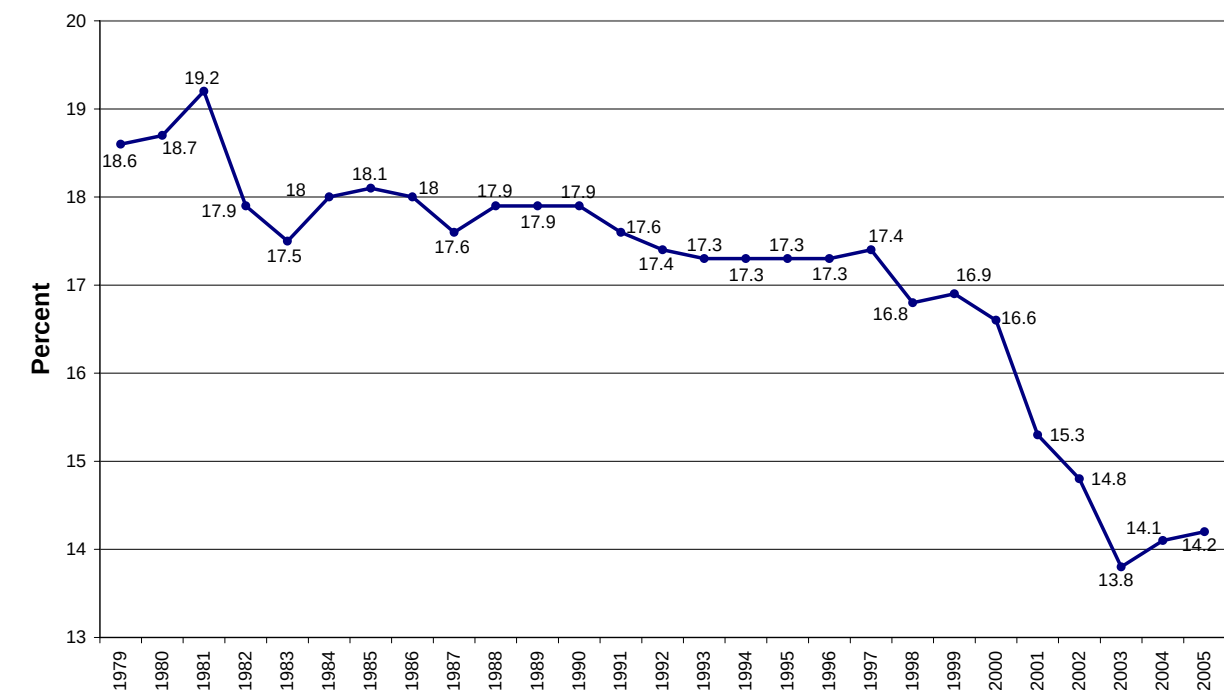
The CBO data show the impact of the 2001 and 2003 tax legislation on households ranked by adjusted income, and divided into fifths and other percentile groupings.

In 2005, the CBO data indicate that in the middle fifth, the total effective tax rate -- the share of federal taxes as a percent of income -- was 14.2 percent, while the effective individual income tax rate was 3.0 percent. These figures compare to 2000 levels of 16.6 percent and 5.0 percent, respectively. Between 2003 and 2005, the total effective tax rate for the middle fifth edged up, but still remained far below the levels of the previous 24 years.

“The CBO analysis shows that the 2001 and 2003 tax cuts have lowered the tax burden on middle income taxpayers to the lowest levels since at least the late 1970s,” Saxton said. “The CBO tax figures, put into historical perspective, also show that the income tax burden of middle income households has been reduced to its lowest levels in many years,” Saxton concluded.

The total effective tax rate includes income, payroll, and excise taxes. The CBO tax numbers do have limitations, and it should be recalled that most households do not remain in a specific quintile for extended periods of time.

Total Effective Tax Rate
Middle Fifth of Households



Source: CBO

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