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VICE CHAIRMAN JIM SAXTON

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Contact: Christopher Frenze
(202) 225-3923

TREASURY TAX DISTRIBUTION STATISTICS RAISE QUESTIONS

– Letter to Secretary Summers Seeks Compliance with Federal Rules –

WASHINGTON, D.C. – The release of Treasury's oft-cited tax distribution statistics should disclose their reliability in keeping with federal rules and the concept of transparency, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Federal guidelines stipulate that government agencies should disclose the "limitations inherent" in most data "so that users are fully aware of the quality and integrity of the information." This is standard practice in government statistical agencies, but apparently is not followed by the Treasury in the dissemination of tax distribution data.

"Government statistics can have major policy implications, so full disclosure of data limitations is necessary and appropriate," Saxton said. "As federal rules state, this is necessary so that users can evaluate the quality and integrity of the figures. This makes sense whether the statistics in question relate to employment, unemployment, family income, or similar data based on samples. These statistics can have important implications for economic policy.

"Moreover, the Treasury's tax distribution statistics are often at the center of very contentious issues of tax policy. Thus it is even more important that the statistical reliability and quality of these data are disclosed. Without measures of statistical reliability, it would often be unclear whether a specific change in tax payments, for example, were statistically meaningful or not.

"Unfortunately, in this case the Treasury does not appear to have the same standards for disclosure as other government agencies. The reliability and statistical integrity of the tax distribution data cannot be ascertained in the same way as is possible with other government data. This sub-standard approach is hard to justify since the tax distribution data are associated with policy issues that are among the most controversial before Congress.

"As a result, the data limitations associated with the tax distribution data prepared by Treasury or any other entity should be disclosed. If the synthetic nature of the data makes this problematic, then the data program should be reviewed. I have written to Secretary Summers seeking clarification on these points, and am hopeful that disclosure will be forthcoming by Treasury in the near future," Saxton concluded.

The federal rules Saxton referred to are contained in Office of Management and Budget (OMB) Circular No. A-130 (February 1996) signed by then-OMB Director Alice M. Rivlin. It states in part: "Agencies should inform the public as to the limitations inherent in the information dissemination product (e.g., possibility of errors, degree of reliability, and validity) so that users are fully aware of the quality and integrity of the information." The OMB circular also states, "Because the public disclosure of government information is essential to the operation of a democracy, the management of Federal information resources should protect the public's right of access to government information."

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