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Large Anomalies Found in Treasury Tax Data -- Some Income Levels Inflated by 73 Percent --

WASHINGTON, D.C. -- Today **Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ)** again called on the Treasury Department to provide an evaluation of tax legislation based on income concepts understood by the American people. The current Treasury analysis of tax data uses an arcane concept known as **Family Economic Income (FEI)**. This FEI measure inflates taxpayer income by including such items as imputed rental value of housing, fringe benefits such as insurance, and inside earnings of IRAs and pensions. **A JEC analysis shows that FEI can inflate taxpayer income by as much as 73 percent, making the tax benefits of middle class taxpayers appear as though they are going to upper income taxpayers.**

"Earlier this week I asked the Treasury Department to provide an analysis of the tax bills based on concepts people in the real world can understand," Saxton said. "This is needed because 99.9 percent of Americans are unfamiliar with Family Economic Income, which differs greatly from what they use on their own tax returns. **While it is clear that FEI exaggerates income, I'm disturbed to learn that this measure can inflate middle class income levels by as much as 73 percent,**" Saxton concluded.

According to the Treasury's own tax return data, taxpayers are classified in the top fifth of taxpayers if their incomes exceed a bottom threshold level of about \$49,150 (approximately the 80th percentile). However, the corresponding income level in the FEI data is \$93,222, 89.7 percent higher. If the tax return figure is adjusted for future inflation and income growth, the FEI overstatement is still 72.7 percent. Even allowing for differences in methodology, it is clear that FEI significantly exaggerates middle class income levels relative to the measure actually used on tax returns. **By making middle class taxpayers appear as upper income taxpayers, the Treasury data conveys a misleading impression that broad-based income tax relief provides most of the benefits to upper income taxpayers.**

For more information regarding this press release please contact the JEC at (202) 224-5171.

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