



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
June 26, 2003

TOP TAXPAYER GROUP TURNOVER IS HIGH

Press Release #108-46
Contact: Christopher Frenze
Chief Economist to the V.C.
(202) 225-3923
Stephen Thompson
Radio & T.V.
(202) 225-4765

WASHINGTON, D.C. – Newly released tax return data on 400 high-income taxpayers should not be directly compared with data from other tax years because the turnover rates of these taxpayers are so high, Vice Chairman Jim Saxton said today. Some current media accounts of 2000 Internal Revenue Service (IRS) tax data for 400 high income tax returns rely on comparisons of income and taxes between various tax years, even though the taxpayers comprising this group have changed dramatically over the years.

According to the IRS, of taxpayers comprising the 400 highest-income (adjusted gross income) group in tax years 1992-2000, about three quarters were in the group for only one year. Since the composition of this group changes so radically every year, inter-year comparisons of income and tax liability are essentially meaningless. So long as an overwhelming majority of the “top 400 taxpayers” are different people every year, inter-year comparisons of income and tax liability do not reflect changes for actual taxpayers. As the IRS has pointed out, ‘the data shown in the table represent a changing group of taxpayers over time, rather than a fixed group of taxpayers.’

“The news reports about the tax returns of 400 of the affluent must be viewed in light of the fact that an overwhelming majority of these taxpayers are not the same people every year,” Saxton said. “Comparing the income and taxes paid by a changing group of people over the years doesn’t convey meaningful information about the changing characteristics of actual taxpayers. Furthermore, many of these taxpayers with large capital gains in 2000 have had less impressive returns in more recent years. Also, those seeking to foment class warfare should recall that the results cover the years of the Clinton Administration, not the Bush Administration.

“The analysis of 400 tax returns also appears to be somewhat arbitrary. Why focus on 400 tax returns, instead of 100, 500, 1000, or better yet, a percentile breakdown? I don’t know what is especially significant about the 400 figure, but this will tend to be a shrinking proportion of all taxpayers over time. The IRS data based on a percentile ranking of taxpayers by income seems to be a much more useful set of data, although even here some caveats about income mobility are still in order,” Saxton concluded.

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

###