



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
August 23, 2004

FEDERAL INCOME TAX
PAYMENTS TEND TO RISE
WITH INCOME, DRIVING
VARIATION IN TAX RELIEF
BENEFITS

Press Release #108-146
Contact: Christopher Frenze
Chief Economist to the V.C.
(202) 225-3923
Television & Radio
Contact: Stephen Thompson
Public Affairs Officer
(202) 329-6288

WASHINGTON, D.C. — Tax data indicate that differences in the amount of tax benefits under recent tax relief legislation are mostly due to initial differences in the income taxes paid by various income groups, Vice Chairman Jim Saxton said today. Often figures are released showing that higher income taxpayers receive a higher average amount of income tax relief than do lower and middle income taxpayers, without disclosure of the initial amount of income taxes paid.

For example, Internal Revenue Service (IRS) data show that in tax year 2000, tax filers reporting over \$1 million of adjusted gross income (AGI) paid an average of \$944,241 in income taxes, while those reporting between \$500,000 and \$1 million paid an average of \$191,910. Tax filers with incomes between \$200,000 and \$500,000 paid an average of \$68,572 in income taxes, while taxpayers with incomes between \$100,000 and \$200,000 paid \$22,767. Not surprisingly, subsequent across-the-board tax relief legislation resulted in taxpayers with larger average tax payments receiving a larger amount of average tax savings than those with much lower tax bills.

This outcome results from the progressive pattern of income tax payments, rather than skewed provisions of tax law. However, without the disclosure of initial tax payments, it is difficult to know this. Thus, virtually any across-the-board income tax relief bill can be made to appear as though it favors upper income taxpayers. If the average amounts of tax changes are at issue, then the levels from which these changes are calculated are needed to provide a context for evaluating the new policy.

“If it is not disclosed that some taxpayers have income tax liabilities amounting to hundreds of thousands of dollars, then even a relatively small percentage reduction in tax rates can appear to translate into a disproportionate amount of tax relief,” Saxton said. “On the other hand, if it is disclosed that some tax filers have no income tax liability, it is easier to understand why they do not receive large amounts of income tax relief. If there is to be a discussion of average tax changes under recent tax legislation, then the tax payments from which these changes are calculated should also be disclosed. Finally, because there is significant dispersion of tax liabilities even at the same levels of income, changes in average tax liability should be used with considerable caution,” Saxton concluded.

Size of AGI	Average Income Tax Including Refundable Credits (All Returns)
All returns	\$7,357
No AGI	(\$120)
\$1 under \$5,000	(\$108)
\$5,000 under \$10,000	(\$422)
\$10,000 under \$15,000	(\$355)
\$15,000 under \$20,000	\$227
\$20,000 under \$25,000	\$1,065
\$25,000 under \$30,000	\$1,880
\$30,000 under \$40,000	\$2,956
\$40,000 under \$50,000	\$4,386
\$50,000 under \$75,000	\$6,775
\$75,000 under \$100,000	\$11,609
\$100,000 under \$200,000	\$22,767
\$200,000 under \$500,000	\$68,572
\$500,000 under \$1,000,000	\$191,910
\$1,000,000 or more	\$944,241

Source: JEC Calculations based on SOI Data for TY2000- SOI Bulletin
Fall 2002

Detail may not add due to rounding.

Amounts in brackets are negative.

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

###