Perspectives on Distributional Analysis

Presentation at NTA Spring Symposium

May 18, 2017
Eric Toder
Income Inequality has Grown Since 1973

Figure 1

Top Decile Income Shares in the United States
Top 1% and 90%-99%, 1973-2015

Source: Saez E. Striking it richer: The evolution of top incomes in the United States (update with 2015 estimates)[J]. 2009. (Data available in excel format at http://elsa.berkeley.edu/~saez/TabFig2015prel.xls (tbl. A3)).

www.taxpolicycenter.org
Does More Equality Mean Less Efficiency?

[Image of a book cover with the title "Equality and Efficiency: The Big Tradeoff" by Arthur M. Okun.]
Top 1% Share has Grown as Growth has Shrunk

Figure 2

Average U.S. Economic Growth Rate and Share of Income of the Top 1%

Republican Candidates Proposed High Income Tax Cuts

Figure 3

Distribution of Republican Tax Plans
Tax Change as a Percent of Pre-Tax Income, 2017

Expanded Cash Income Percentile

Democratic Candidates Proposed High Income Tax Increases

Figure 4

Distribution of Democratic Tax Plans
Tax Change as a Percent of Pre-Tax Income, 2017

Expanded Cash Income Percentile

Most Taxes are Paid Directly by Individuals

Figure 5

Total Taxes on Individuals and Entities
Share of Total Federal Taxes, By Tax Type, 2017

Taxes on Entities Fall on Different Income Sources

Figure 6

Distributions of Different Tax Bases and Income
By Income Type, 2017

- **Consumption Tax Base**: 80%
  - Transfers: 9%
  - Supernormal Returns: 11%
  - Normal Returns: 20%

- **Corporate Base**: 60%
  - Transfers: 11%
  - Supernormal Returns: 60%
  - Normal Returns: 20%

- **Tax Base**: 100%
  - Transfers: 10%
  - Supernormal Returns: 10%
  - Normal Returns: 80%

- **Employer Portion of Payroll Tax Base**: 100%
  - Transfers: 10%
  - Supernormal Returns: 10%
  - Normal Returns: 80%

- **Income**: 71%
  - Transfers: 8%
  - Supernormal Returns: 10%
  - Normal Returns: 80%

**Source**: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).
Top 1% are Different from the Rest of US

Figure 7

Distribution of Four Types of Income
By Income Percentile, 2017

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Top 1%</th>
<th>80% - 99%</th>
<th>Bottom 80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Income</td>
<td>9%</td>
<td>40%</td>
<td>51%</td>
</tr>
<tr>
<td>Normal Returns to Capital</td>
<td>38%</td>
<td>32%</td>
<td>25%</td>
</tr>
<tr>
<td>Supernormal Returns to Capital</td>
<td>49%</td>
<td>37%</td>
<td>19%</td>
</tr>
<tr>
<td>Transfers</td>
<td>1%</td>
<td>13%</td>
<td>86%</td>
</tr>
</tbody>
</table>

The House GOP Blueprint Cuts Taxes on Business and Capital Income

**Figure 8**

Total Tax Change
House GOP Blueprint, 2027-2036

<table>
<thead>
<tr>
<th>$ Billions</th>
<th>Negative Revenue</th>
<th>Positive Revenue</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000</td>
<td>-$414</td>
<td>$767</td>
<td>0</td>
</tr>
<tr>
<td>$500</td>
<td>-$1,148</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>-$1,430</td>
<td></td>
<td>-$2,226</td>
</tr>
</tbody>
</table>

Rates Cuts for Businesses Outweigh Tax Base Increases

Figure 9

Total Tax Change on Corporate and Business Income
House GOP Blueprint, 2027-2036

Overall, the House GOP Blueprint Favors Top 1%

Figure 10

Tax Changes as Percent of Pretax Income

House GOP Blueprint under Alternative Assumptions, 2025

THANK YOU

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www.taxpolicycenter.org