Citizens for Tax Justice

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The Obamas' Tax Returns

How Much More Would They Have Paid If the President's Proposals Were in Effect?

Today the White House released Barack and Michelle Obama's federal income tax return, revealing that they made over $2.7 million and paid almost $787,000 in federal income taxes in tax year 2008. The table below explains their income tax calculation and also illustrates what they would have paid if the President's tax proposals were in effect in 2008. (President Obama's tax proposals affecting high-income families would not take effect until 2011.)

President & Mrs. Obama's federal income taxes for 2008
Under current law and the President's proposed changes*

	Current law	Obama Plan	Obama change	% change
Income:				
Wages	201,913	201,913		
Taxable interest	18,890	18,890		
Self-employment	2,479,648	2,479,648		
Dividends	26,558	26,558		
State tax refund	7,991	7,991		
Short-term capital gain	1,107	1,107		
Long-term capital gain	—	—		
Qualified dividends	—	—		
Note: tax-exempt interest	*2,936*	*2,936*		
Tax return total income	**$ 2,736,107**	**$ 2,736,107**		
Adjustments	79,205	79,205		
Adjusted gross income	**2,656,902**	**2,656,902**		
IDs before disallowance	326,489	326,489		
ID disallowance	24,970	74,909		
IDs allowed	301,519	251,580		
PEs before phase-out	14,000	14,000		
PEs allowed	9,332	—		
Taxable income	2,346,051	2,405,322		
TI w/o cg & qdiv	2,346,051	2,405,322		
Tax thereon	792,693	911,396		
CG & qdiv tax	—	—		
Tax on IDs	—	29,183		
Income tax before credits	792,693	940,580		
Credits	5,745	5,745		
Total income tax	**$ 786,948**	**$ 934,835**	**$ +147,887**	**+19%**
Total income (w/ TEI)	**$ 2,739,043**	**$ 2,739,043**		
Income tax / income	**28.7%**	**34.1%**	**+5.4%**	

*If the Obama proposals were in effect for 2008.

If the President's proposed tax changes had been in effect in 2008, the Obamas would have paid an additional $148,000 in federal income tax. That's 19 percent more than they actually paid. Their effective income tax rate, which was 28.7 percent, would have been 34.1 percent.

Former President Bush and Congress enacted income tax cuts that expire at the end of 2010. President Obama proposes to allow them to expire — but only for married couples with incomes over $250,000 and other taxpayers with incomes over $200,000.

This means that the top two income tax rates, which affect taxpayers above those income thresholds, would revert to 36 and 39.6 percent.[1]

This also means that the limits on the use of personal exemptions and itemized deductions by the wealthy — limits which are being phased out as part of the tax cuts enacted under Bush — would be allowed to return as they are scheduled to in 2011.

Finally, the President would limit the benefits of itemized deductions for wealthy taxpayers to 28 cents for every dollar deducted. Currently itemized deductions are worth 35 cents for every dollar deducted for very wealthy people (since 35 percent is the top income tax rate), and will be worth 39.6 cents for each dollar deducted when the top income tax rate reverts to its pre-Bush level in 2011.

[1]We assume the income tax brackets would be adjusted so that the top two brackets would not affect married couples with incomes below $250,000 or other taxpayers with incomes below $200,000. Currently, some taxpayers with income below these levels are in the second highest bracket, so we assume that this bracket would be split into two to prevent these taxpayers from having even a small increase in their income taxes.