

America's Tax System Is Not as Progressive as You Think

Conservative lawmakers and pundits often claim that the richest Americans are paying a disproportionate share of taxes while a huge number of lower-income Americans pay nothing at all. They're wrong.

It's true that the very rich pay a large share of federal income taxes, and that many taxpayers are too poor to owe any federal income taxes. But federal income taxes are only part of the picture. Other types of taxes, like federal payroll taxes, federal excise taxes, and state and local taxes are regressive, meaning they take a larger share of income from a poor or middle-class family than they take from a rich family.

■ The share of total taxes paid by each income group is similar to the share of total income received by that group.

■ The share of total taxes paid by the richest one percent (21.5) is not significantly different from the share of total income received by this group (20.3).

■ The total effective tax rate for the richest one percent (30.0) is only about five percentage points higher than the total effective tax rate for the middle fifth of taxpayers (25.1).

All Americans pay taxes. Everyone who works pays federal payroll taxes. Everyone who drives pays federal and state gas taxes. State sales taxes affect everyone who shops, and state and local property taxes affect everyone who owns or rents a home (the tax is

Incomes and Federal, State & Local Taxes in 2010						
	Average cash income	Shares of		Taxes as a % of Income		
		Total income	Total taxes	Federal taxes	State & local taxes	Total taxes
Lowest 20%	\$ 12,500	3.5%	2.0%	3.9%	12.3%	16.2%
Second 20%	25,300	7.1%	5.2%	9.1%	11.6%	20.7%
Middle 20%	40,700	11.6%	10.3%	13.9%	11.2%	25.1%
Fourth 20%	66,300	19.0%	19.0%	17.3%	11.1%	28.5%
Next 10%	100,000	14.3%	15.1%	19.0%	11.0%	30.0%
Next 5%	140,000	10.2%	11.2%	20.5%	10.6%	31.1%
Next 4%	241,000	14.2%	15.6%	21.4%	9.9%	31.3%
Top 1%	1,254,000	20.3%	21.5%	22.1%	7.9%	30.0%
ALL	68,200	100.0%	100.0%	18.1%	10.3%	28.4%
Addendum:						
Bottom 99%	\$ 56,200	79.8%	78.4%	16.9%	10.9%	27.9%
Notes:						
1. Taxes include all federal, state & local taxes (personal and corporate income, payroll, property, sales, excise, estate etc.).						
2. For calculations of income shares and taxes as a % of income, income includes employer-paid FICA taxes and corporate profits net of taxable dividends, neither of which is included in the average cash income figures shown.						
Source: Institute on Taxation and Economic Policy Tax Model, April 2011						
Citizens for Tax Justice, April 2011						

passed on to renters in the form of higher rents). Most states also have income taxes, most of which are not particularly progressive.

Many conservative lawmakers and pundits focus only on those federal taxes that affect the rich more, like the federal personal income tax, estate and gift tax and corporate income tax. But as these figures illustrate, the tax system as a whole, including all the types of taxes that people pay, is just barely progressive.

