CTJ
Citizens for Tax Justice
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Who's Rich?

Several Presidential candidates have proposed allowing the Bush tax cuts to expire for wealthy Americans. For Senators Hillary Clinton and Barack Obama, "wealthy" means those with income above $250,000, while for former Senator John Edwards, this means those who make more than $200,000.

These thresholds have caused some consternation among the people in the media and plugged into politics. Some progressive activists have asked why in the world people with incomes as high as $200,000 need to keep the tax cuts President Bush enacted for them when basic needs like healthcare for children aren't being met.

On the other hand, many in the media seem to think that people in the $200,000 – 250,000 income range are solidly middle-class and deserve every tax break they have ever received. Just take the discourse at the recent Democratic Presidential debate in New Hampshire between moderator Charlie Gibson and the candidates:

> ***MR. GIBSON***: *We have an energy problem in the cost of energy. And we now have a jobs problem. We have, when we are — and you raised the "R" word, "recession" — when we are approaching recession, it is consumers who have spent us out of recession in most cases. You're all talking about letting some of the Bush tax cuts lapse.*
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> ***SEN. CLINTON:*** *Yeah, but Charlie, the tax cuts on the wealthiest of Americans, not the middle-class tax cuts. One of the problems with George Bush's tax policy has been the way he has tilted it toward the wealthy and the well-connected.*
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> ***MR. GIBSON***: *If you take a family of — if you take a family of two professors here at Saint Anselm, they're going to be in the $200,000 category that you're talking about lifting the taxes on. And — (laughter).*

The laughter from the audience seemed to indicate that they were perplexed as to why in the world Gibson thought two New Hampshire college professors — or just about any "middle-income" family — would typically earn $200,000 a year. But this is obviously what Gibson thought. But Gibson's supposition is unfounded.

The truth is that those with incomes over $200,000 are only "middle-class" if you believe that people who are among the richest 3 percent of Americans are in the "middle."

We estimate that in 2008, only 3.2 percent of taxpayers will have adjusted gross income (AGI) greater than $200,000 and only 2.1 percent will have AGI over $250,000. By state, the percentage of taxpayers with AGI above $200,000 ranges from a high of 6 percent in Connecticut and Washington, D.C. down to only 1.3 percent in West Virginia.

% of Taxpayers with Adjusted Gross Income above $200,000 and $250,000 in 2008

State	Above $200K	Above $250K	Rank >$200K	Rank >$250K
US Average	**3.2%**	**2.1%**		
Median of states	**2.5%**	**1.7%**		
Connecticut	6.0%	4.7%	1	1
District of Columbia	6.0%	4.1%	1	2
New Jersey	5.4%	3.9%	3	3
Massachusetts	4.7%	3.2%	4	4
Maryland	4.5%	2.8%	5	6
California	4.4%	3.0%	6	5
Virginia	4.2%	2.6%	7	8
New York	4.0%	2.7%	8	7
Colorado	3.6%	2.3%	9	12
Illinois	3.5%	2.5%	10	9
New Hampshire	3.5%	2.5%	10	9
Minnesota	3.5%	2.1%	10	15
Washington	3.4%	2.2%	13	14
Florida	3.3%	2.4%	14	11
Nevada	3.3%	2.3%	14	12
Texas	3.1%	2.1%	16	15
Arizona	3.0%	2.1%	17	15
Delaware	3.0%	2.0%	17	18
Alaska	3.0%	1.7%	17	24
Wyoming	2.9%	1.9%	20	19
Hawaii	2.8%	1.9%	21	19
Rhode Island	2.8%	1.8%	21	23
Georgia	2.7%	1.9%	23	19
Pennsylvania	2.7%	1.9%	23	19
Vermont	2.6%	1.7%	25	24
Kansas	2.5%	1.6%	26	28
Oregon	2.4%	1.7%	27	24
North Carolina	2.4%	1.6%	27	28
Utah	2.3%	1.7%	29	24
Michigan	2.3%	1.5%	29	31
Wisconsin	2.3%	1.5%	29	31
Missouri	2.2%	1.5%	32	31
Nebraska	2.2%	1.3%	32	37
Tennessee	2.1%	1.6%	34	28
Idaho	2.1%	1.4%	34	34
Ohio	2.1%	1.4%	34	34
Maine	2.0%	1.3%	37	37
Indiana	1.9%	1.3%	38	37
South Carolina	1.9%	1.3%	38	37
Louisiana	1.9%	1.2%	38	42
New Mexico	1.9%	1.2%	38	42
Alabama	1.8%	1.4%	42	34
Montana	1.8%	1.2%	42	42
Oklahoma	1.8%	1.2%	42	42
Arkansas	1.8%	1.1%	42	48
South Dakota	1.7%	1.3%	46	37
Iowa	1.7%	1.2%	46	42
Kentucky	1.7%	1.2%	46	42
Mississippi	1.6%	0.9%	49	50
North Dakota	1.4%	1.1%	50	48
West Virginia	1.3%	0.8%	51	51

Source: ITEP Tax Model, January 2008

Why Do We Hear Claims that an Income of $200,000 or $250,000 Is Middle-Class if the Facts Are Otherwise?

We have heard anecdotally that people who work for members of Congress (from both parties) in Washington tend to overestimate the percentage of Americans with incomes over $200,000 a year. We also have seen people in the media, like Charlie Gibson, express their belief that families at this income level are "middle-class." Why?

Part of the reason surely is that the people who influence the political discourse — people working in the media or in politics — tend to live in or around cities where incomes and the cost of living are higher than elsewhere in America. These cities include New York, Washington, D.C., Los Angeles, Boston and San Francisco. In these cities and their suburbs, owning a house and two cars and raising two children who go to good schools — what many people consider the American Dream — is thought by some to require a six-figure salary.

There could be other reasons as well. Perhaps the people who work in politics and media are disproportionately highly educated people who come from wealthier families, which could result in expectations of higher incomes and higher standards of living than are enjoyed by the true "middle-class."

Would It Be Better for Politicians to Talk About the "Richest One Percent" or "Richest Two Percent" Rather than Income Levels?

It's tempting to believe that lawmakers and political candidates might communicate their intentions better if they talked about those who would be affected by their tax plans in terms of percentages. Perhaps a tax plan would repeal the Bush tax cuts for the "richest 1 percent" or the "richest 2 percent" or something like that. Surely, almost everyone knows they're not in the richest one or two percent, right?

Wrong. This tactic has actually caused even *more* confusion. You might think that everyone knows what percentage of Americans are in the top one percent of the income scale. Alas, big-city journalists, network television personalities and lots of ordinary people often get the answer ridiculously wrong.

A Time Magazine poll in 2000 found that 19 percent of those surveyed believed themselves to be among the richest 1 percent of Americans. Another 20 percent said they expected to one day be among the richest 1 percent. This goes way beyond the Lake Wobegon effect, where everyone is above average. It has been speculated by pundits like David Brooks of the *New York Times* that this is why Al Gore's accurate charge that George W. Bush's tax plan would primarily help the richest one percent of Americans didn't have the devastating effect that many people thought it should have.

This year, the best-off one percent will have an estimated average income of $1.5 million each. Just to get into this elite group requires an income greater than $466,000. If all of that comes from wages, then for single people it takes an average wage of $224 an hour to make it into the top one percent, and $722 an hour to become an average member.

For two-earner couples with both spouses working full time, it takes an average wage for each spouse of $112 an hour to get into the top one percent and $361 an hour each to be an average member of the top one percent. How many people do you think make that much?

The share of each state's residents who are in the top one percent nationally varies from a high of about 2 percent in Washington, D.C. and Connecticut down to a low of only 0.4 percent in West Virginia. But even in DC and Connecticut, only one out of fifty residents is in the top 1 percent nationally.

Where do the members of the top one percent live? A third of them can be found in just three states, California, New York and Florida. Half reside in nine coastal or mountain states, each of which has a higher than one-percent share of its residents in the top one percent nationally.[1] These nine states include: California and Washington state on the west coast, Massachusetts, Connecticut, New York and New Jersey in the northeast, Florida on two coasts, and Colorado and Nevada in the western mountains. Not surprisingly, wealthy people tend to concentrate in wealthy areas near an ocean or scenic tall mountains (or in one case, casinos).

In contrast, in 12 other states, only about half a percent of taxpayers make it into the national top one percent. These states include: West Virginia, Arkansas, Ohio, North Dakota, Kentucky, Mississippi, Iowa, Louisiana, Maine, Indiana, South Dakota and Michigan.

The following table shows the number of taxpayers in each state in the national top one percent, along with their percentage of the total number of taxpayers in each state.

[1]The District of Columbia, New Hampshire and Wyoming also have a higher than average share of their residents in the top one percent nationwide. Because they are so small, however, their share of the total number of Americans in the top one percent nationwide is also very small.

Number & percentage of each state's taxpayers in the national top 1%

State	# in natl top 1%	% in natl top 1%	Rank
US total	1.4 million	1%	
District of Columbia	6,060	2.1%	1
Connecticut	33,360	2.0%	2
New York	144,300	1.6%	3
Nevada	17,650	1.5%	4
New Jersey	61,480	1.5%	5
Massachusetts	42,060	1.4%	6
California	218,450	1.4%	7
Florida	121,920	1.4%	8
Wyoming	2,970	1.2%	9
Colorado	24,750	1.1%	10
New Hampshire	6,950	1.1%	11
Washington	30,850	1.1%	12
Maryland	28,210	1.0%	13
Georgia	40,440	1.0%	14
Texas	97,600	1.0%	14
Illinois	55,510	1.0%	16
Minnesota	23,840	1.0%	16
Virginia	36,130	1.0%	16
Arizona	23,660	0.9%	19
Vermont	2,860	0.9%	19
Alaska	2,700	0.9%	21
Delaware	3,680	0.9%	22
Oregon	14,090	0.8%	23
Hawaii	5,370	0.8%	24
Pennsylvania	46,260	0.8%	25
Montana	3,250	0.7%	26
North Carolina	30,310	0.7%	26
Tennessee	20,740	0.7%	28
Utah	7,670	0.7%	28
Idaho	4,860	0.7%	30
Nebraska	5,620	0.7%	31
Oklahoma	10,330	0.7%	32
Rhode Island	3,910	0.7%	32
Wisconsin	17,880	0.7%	34
South Carolina	13,540	0.7%	35
Kansas	8,650	0.7%	36
Missouri	18,170	0.7%	36
Alabama	13,330	0.7%	38
New Mexico	5,460	0.7%	38
Michigan	28,770	0.6%	40
South Dakota	2,200	0.6%	41
Indiana	17,380	0.6%	42
Maine	3,770	0.6%	43
Louisiana	11,240	0.6%	44
Iowa	7,600	0.5%	45
Mississippi	6,810	0.5%	45
Kentucky	10,230	0.5%	47
North Dakota	1,520	0.5%	48
Ohio	26,920	0.5%	49
Arkansas	6,370	0.5%	50
West Virginia	3,350	0.4%	51

Source: ITEP Tax Model, January 2008