

# Why the Rich Have Been Paying More Taxes



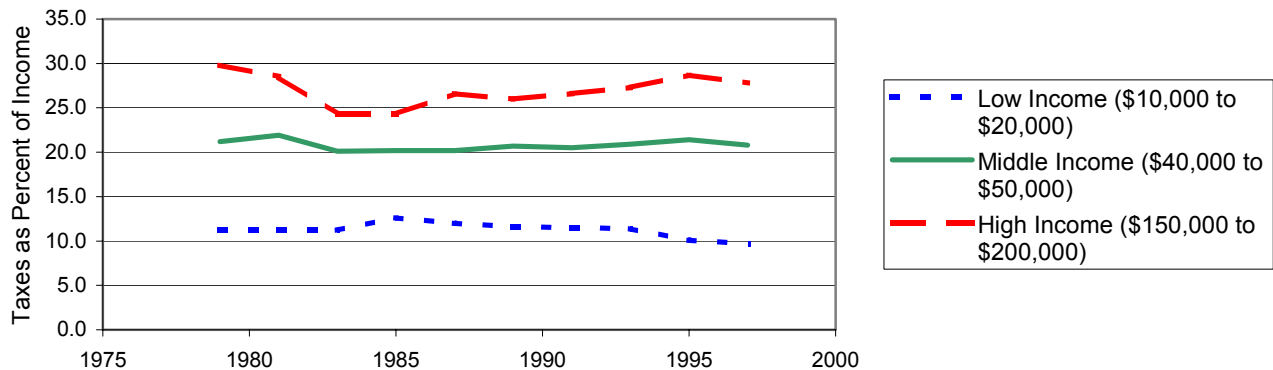
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Much has been made recently of the fact that the share of taxes paid by the rich has gone up over the past twenty years. But this is not because *tax rates* have gone up substantially for the rich, but because *incomes* have gone up much more for the rich than for the average family in the 1980s and 1990s. In fact, as Figure 1 shows, there was relatively little variation in the percentage of income paid at constant income levels between 1979 and 1997 (the last year in the 2001 CBO study on effective tax rates).<sup>1</sup> Figure 1 includes all federal taxes, even corporate taxes (which are allocated according to who receives income from capital).

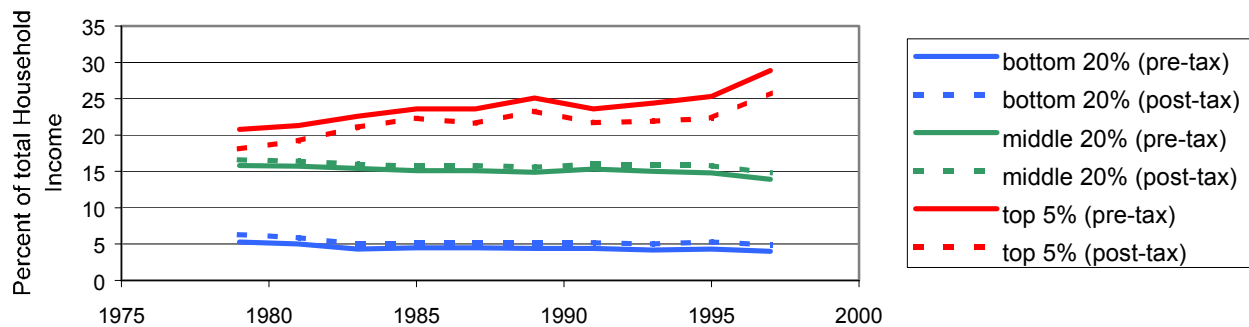
**Figure 1. Effective Tax Rates At Various Income Levels 1979-1997**



Source: Effective Federal Tax Rates 1979-1997, CBO October 2001, Table H-1a

When we turn now to who was receiving income, we see why the rich paid more taxes. Figure 2 shows pre- and post-tax shares of income of the bottom 20 percent of households, the middle 20 percent, and the top 5 percent. While those at the bottom and in the middle of the income distribution received a slowly-shrinking slice of the pie, those at the top got more and more. By 1997, their share of after tax income had risen from only slightly above that of the middle income group to almost twice as much. That is why they paid more taxes, even though their effective tax rate changed little.

**Figure 2. Income Shares: Bottom, Middle and Top**



Source: Effective Federal Tax Rates 1979-1997, CBO October 2001, Table G-1c

<sup>1</sup> \$150,000-\$200,000 is the highest income range reported by the CBO that has both a bottom and a top income.