



Congressional Budget Office

June 18, 2015

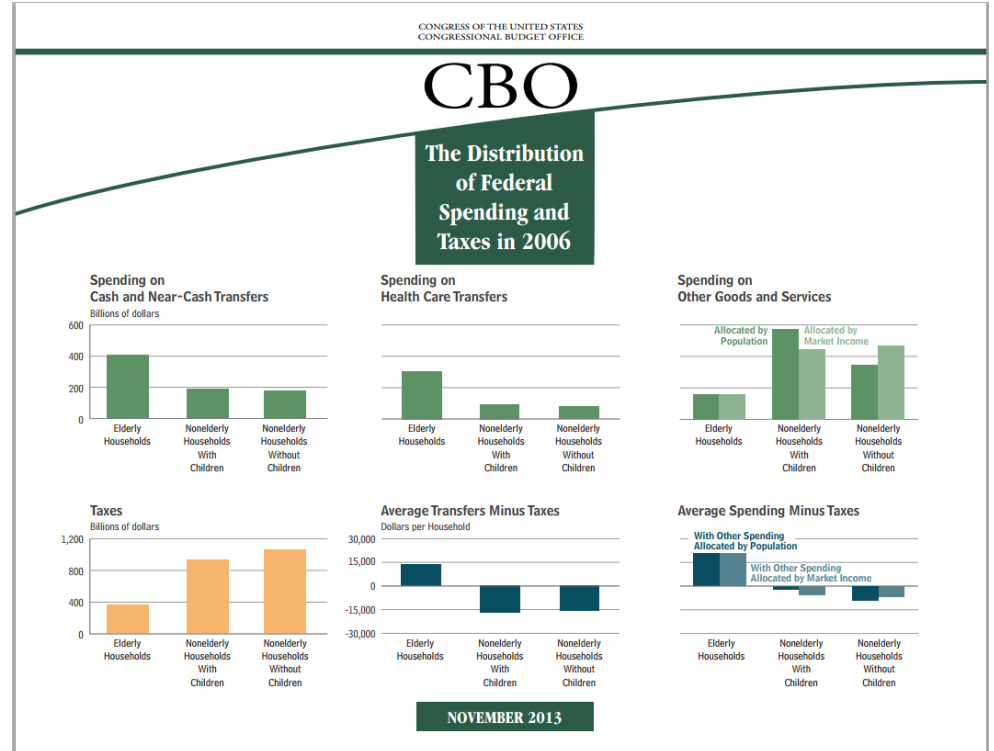
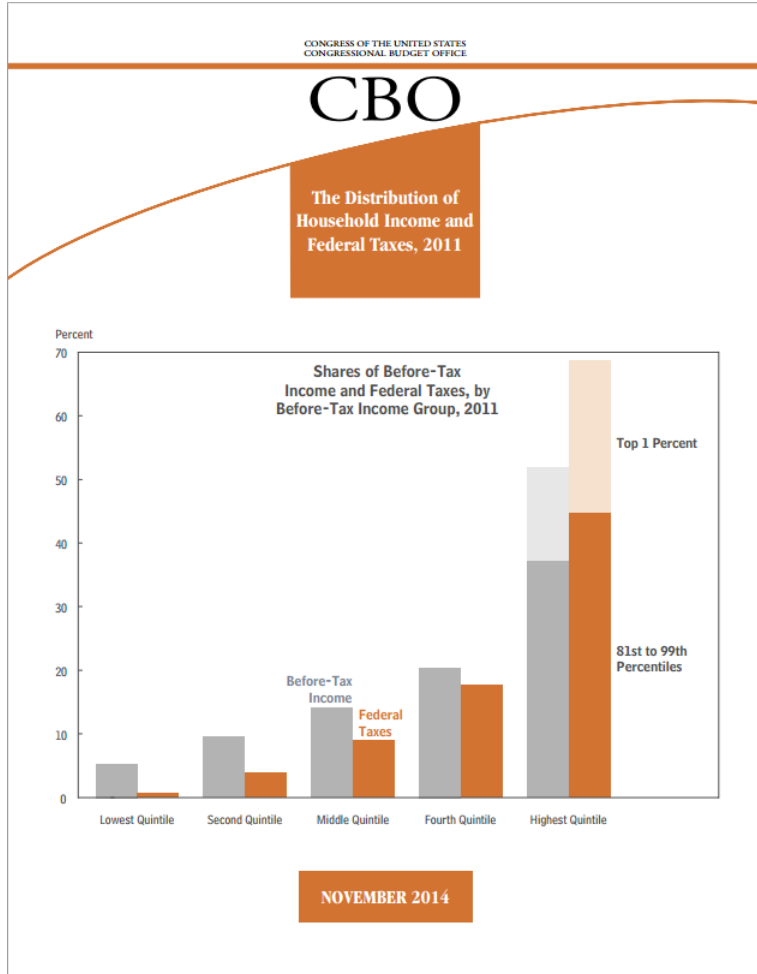
The Distribution of Household Income, Federal Taxes, and Government Spending

Presentation to the Society of Government Economists

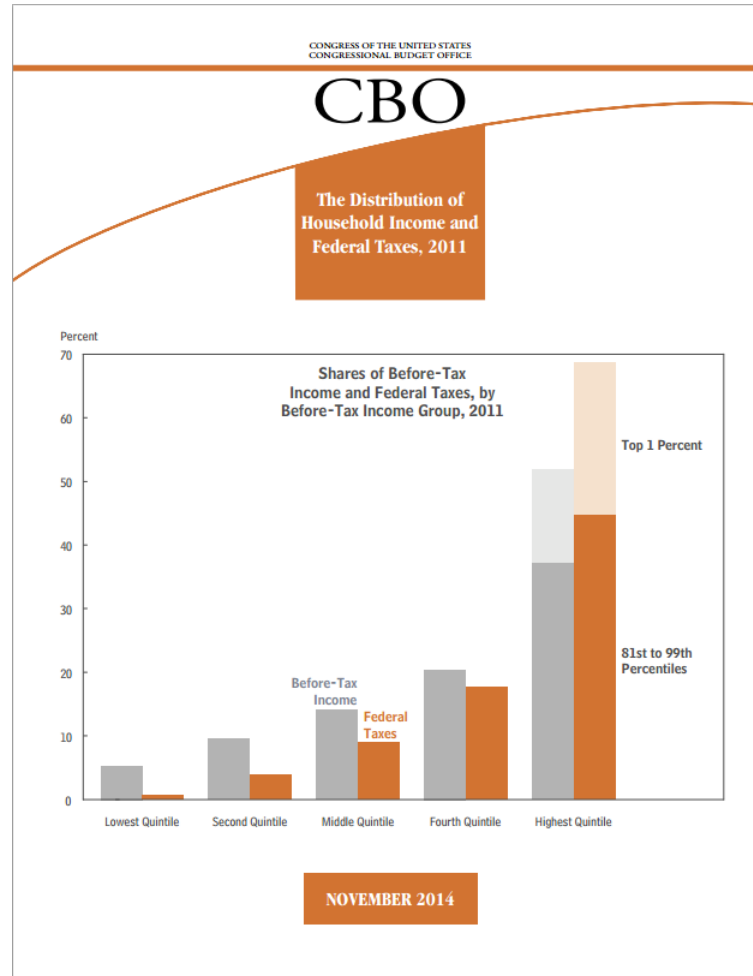
Kevin Perese, Principal Analyst
Tax Analysis Division

This presentation provides information on the material published in *The Distribution of Household Income and Federal Taxes, 2011* (November, 2014) and *The Distribution of Federal Spending and Taxes in 2006* (November, 2013). See www.cbo.gov/publication/49440 and www.cbo.gov/publication/44698.

Two CBO Reports



Distribution of Household Income and Federal Taxes, 2011



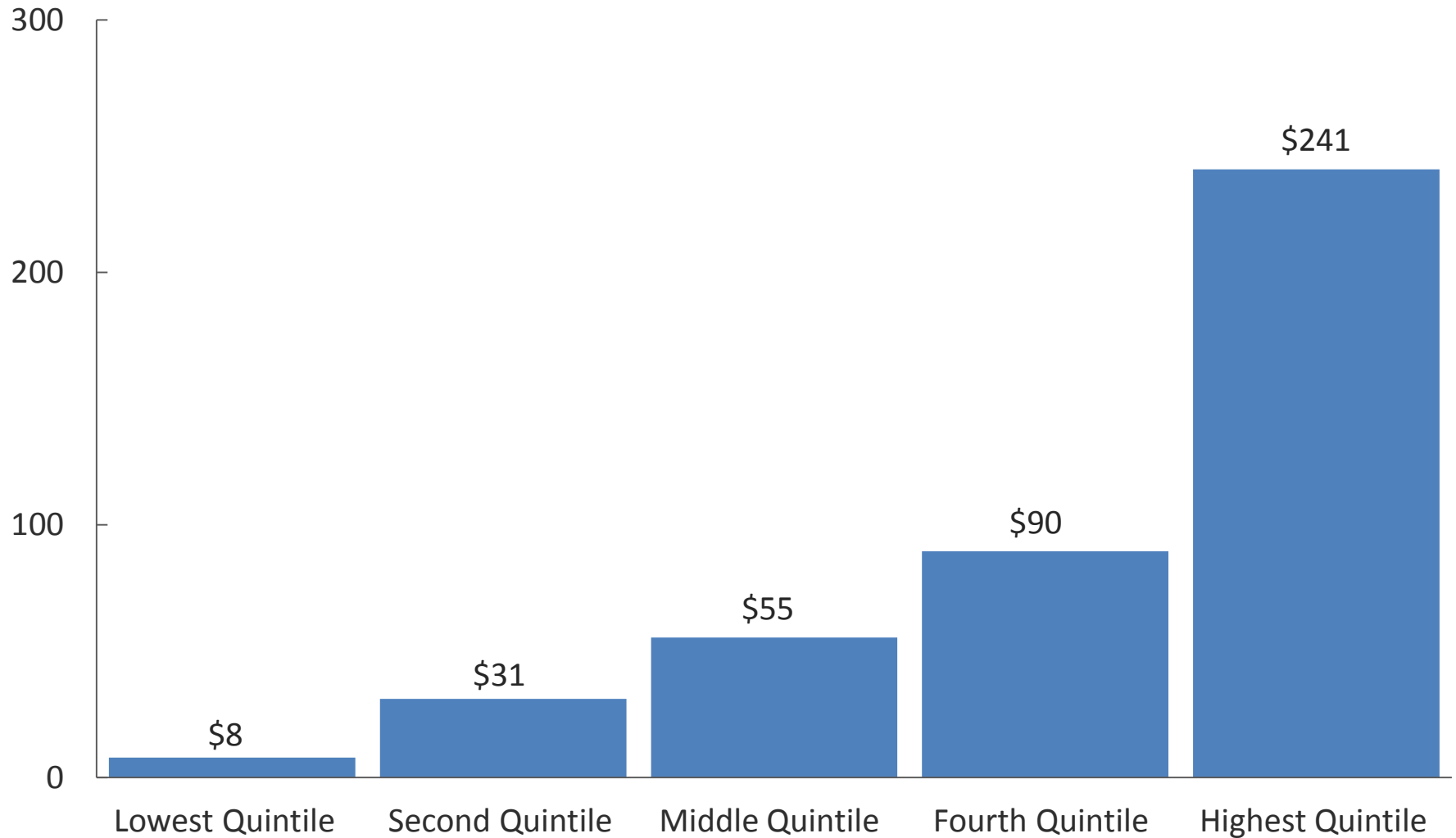
Distribution of Household Income and Federal Taxes, 2011

Five Main Points:

- Income is highly skewed toward the top.

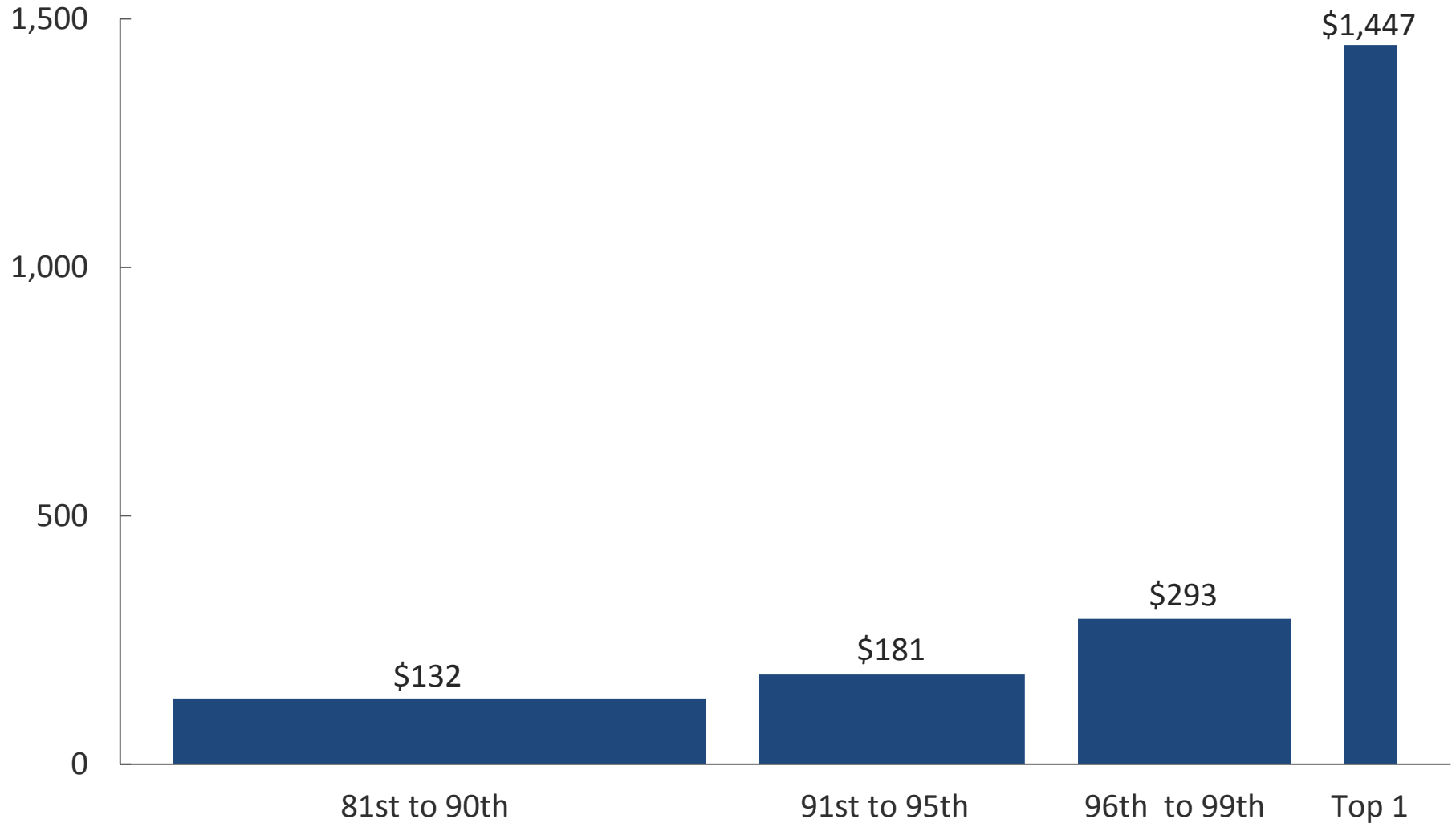
Average Market Income, by Market Income Group, 2011

Thousands of Dollars



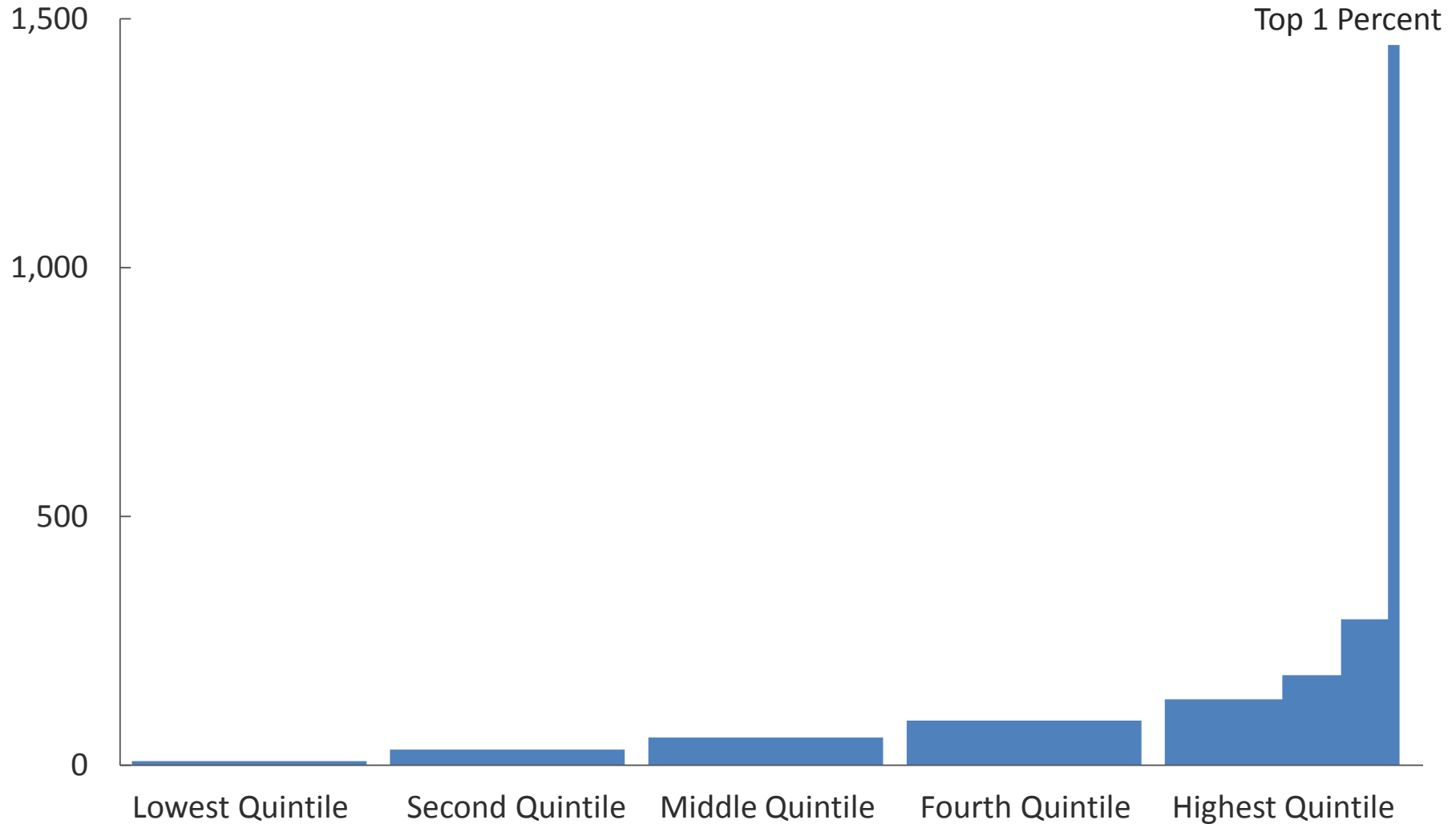
Average Market Income, Top Income Quintile, 2011

Thousands of Dollars



Average Market Income, by Market Income Group, 2011

Thousands of Dollars

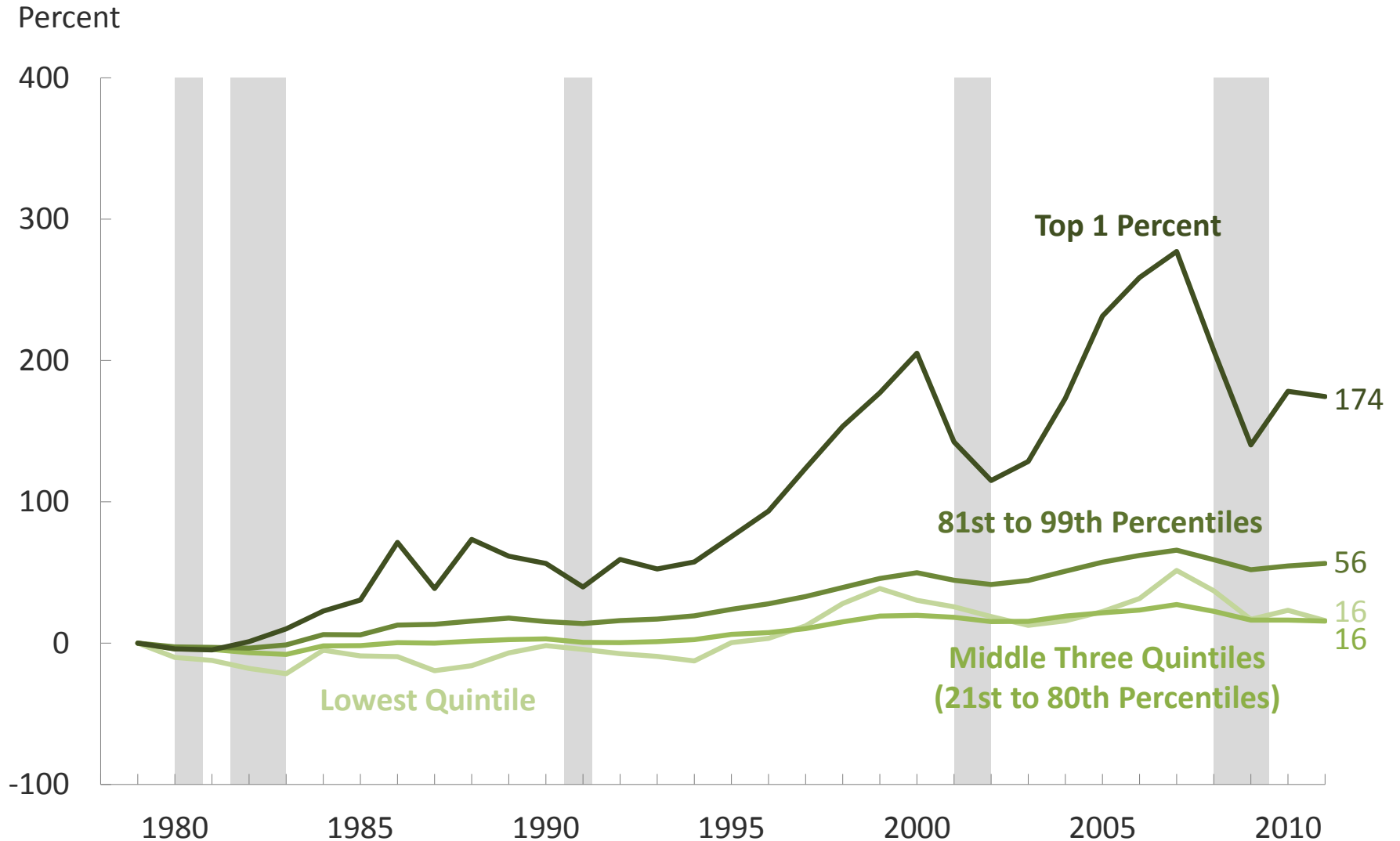


Distribution of Household Income and Federal Taxes, 2011

Five Main Points:

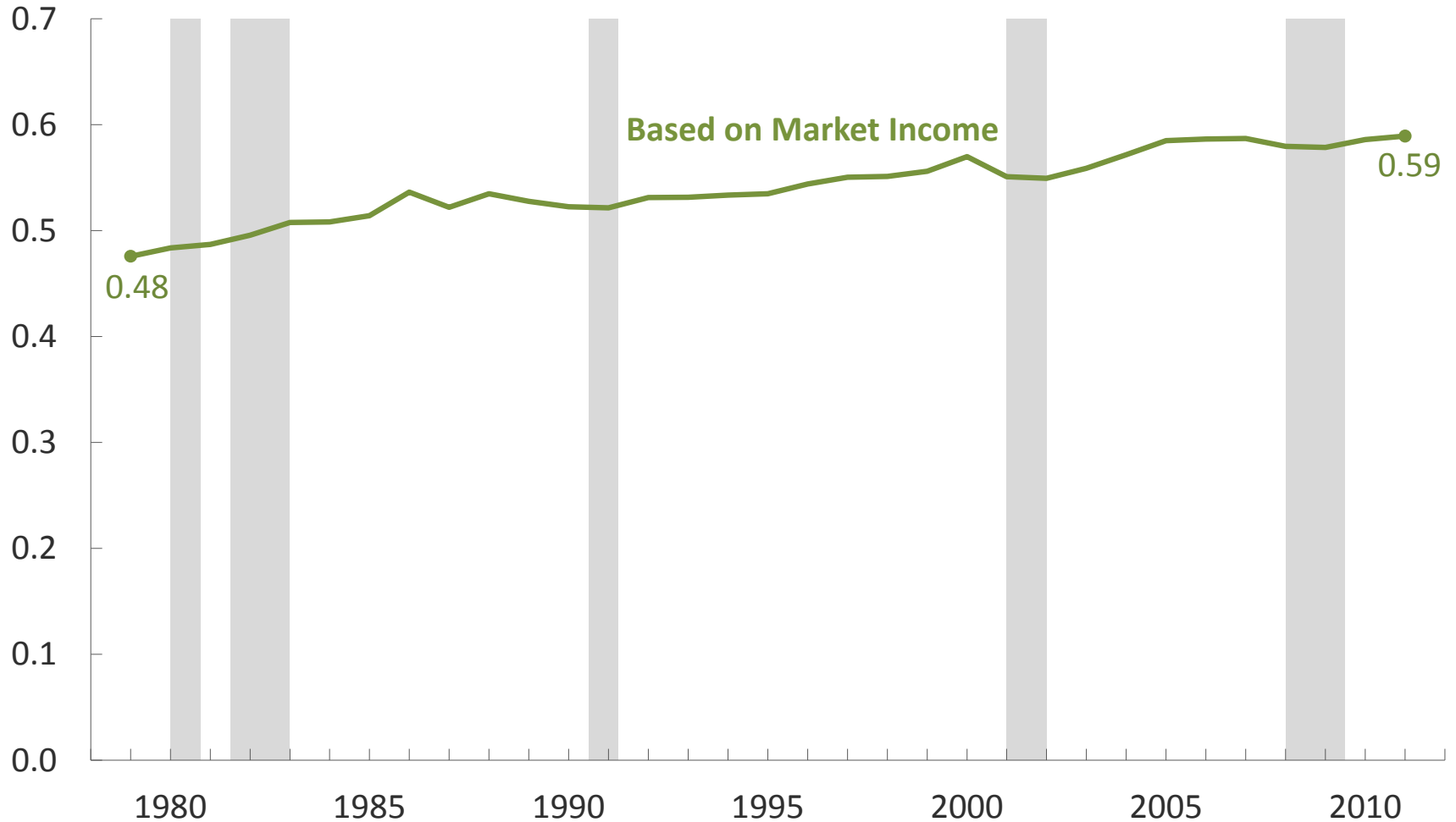
- Income is highly skewed toward the top.
- Income inequality has been increasing over time.

Cumulative Growth in Average Inflation-Adjusted Market Income, by Market Income Group, 1979 to 2011



Trend in Gini Indexes, 1979 to 2011

Gini Index



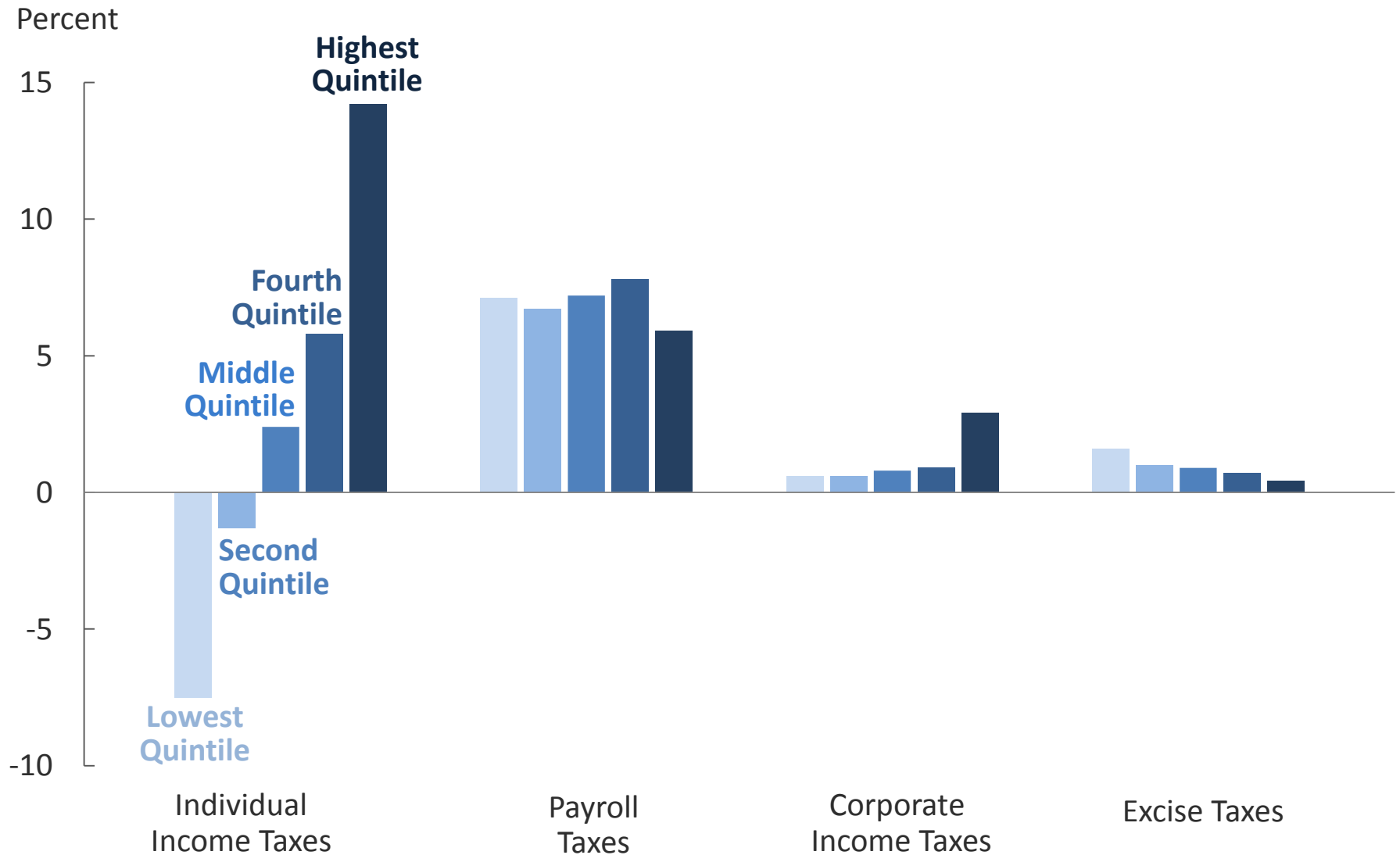
Note: A Gini Index is a measure of income inequality that ranges from zero (the most equal distribution) to one (the least equal distribution).

Distribution of Household Income and Federal Taxes, 2011

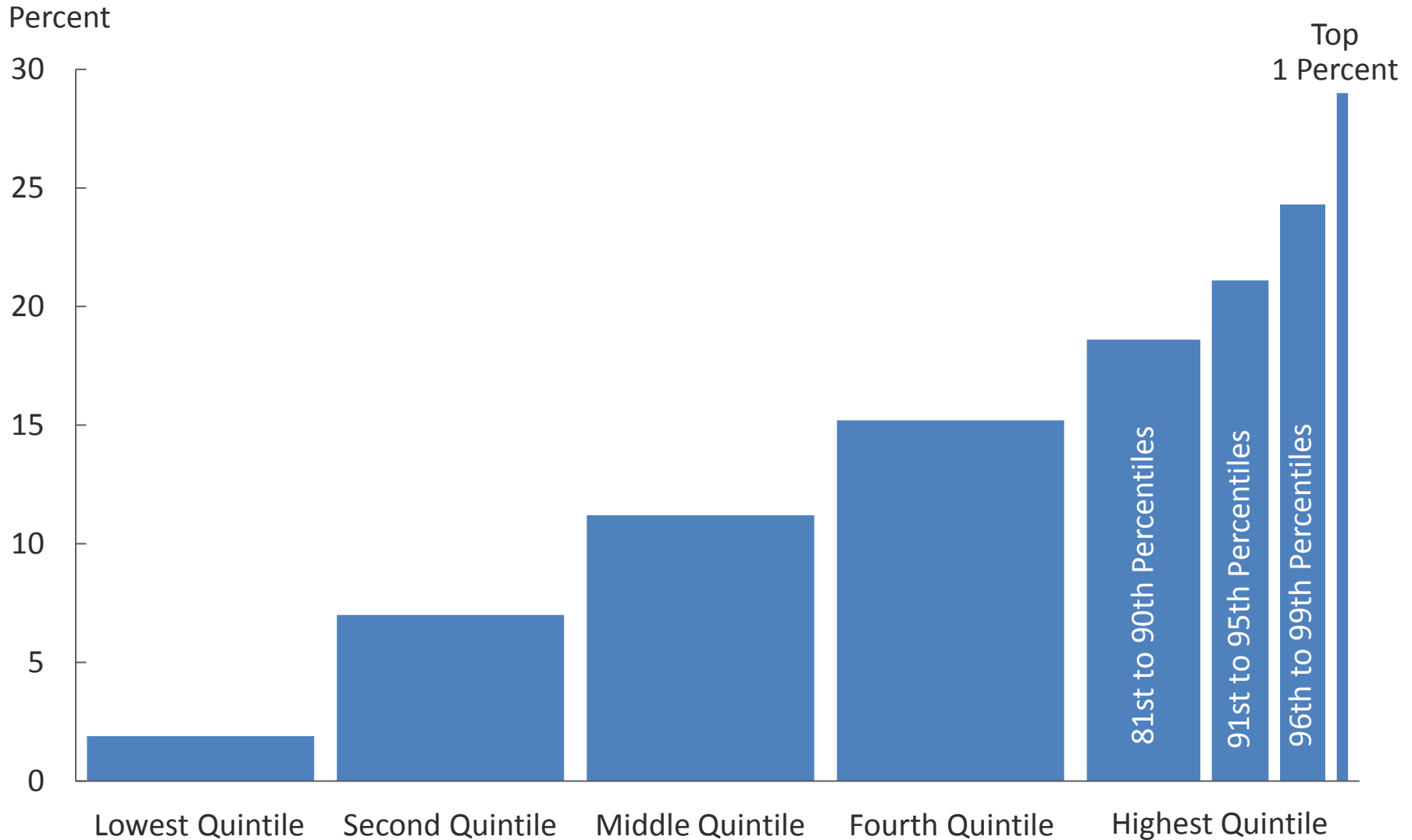
Five Main Points:

- Income is highly skewed toward the top.
- Income inequality has been increasing over time.
- The federal tax system is progressive.

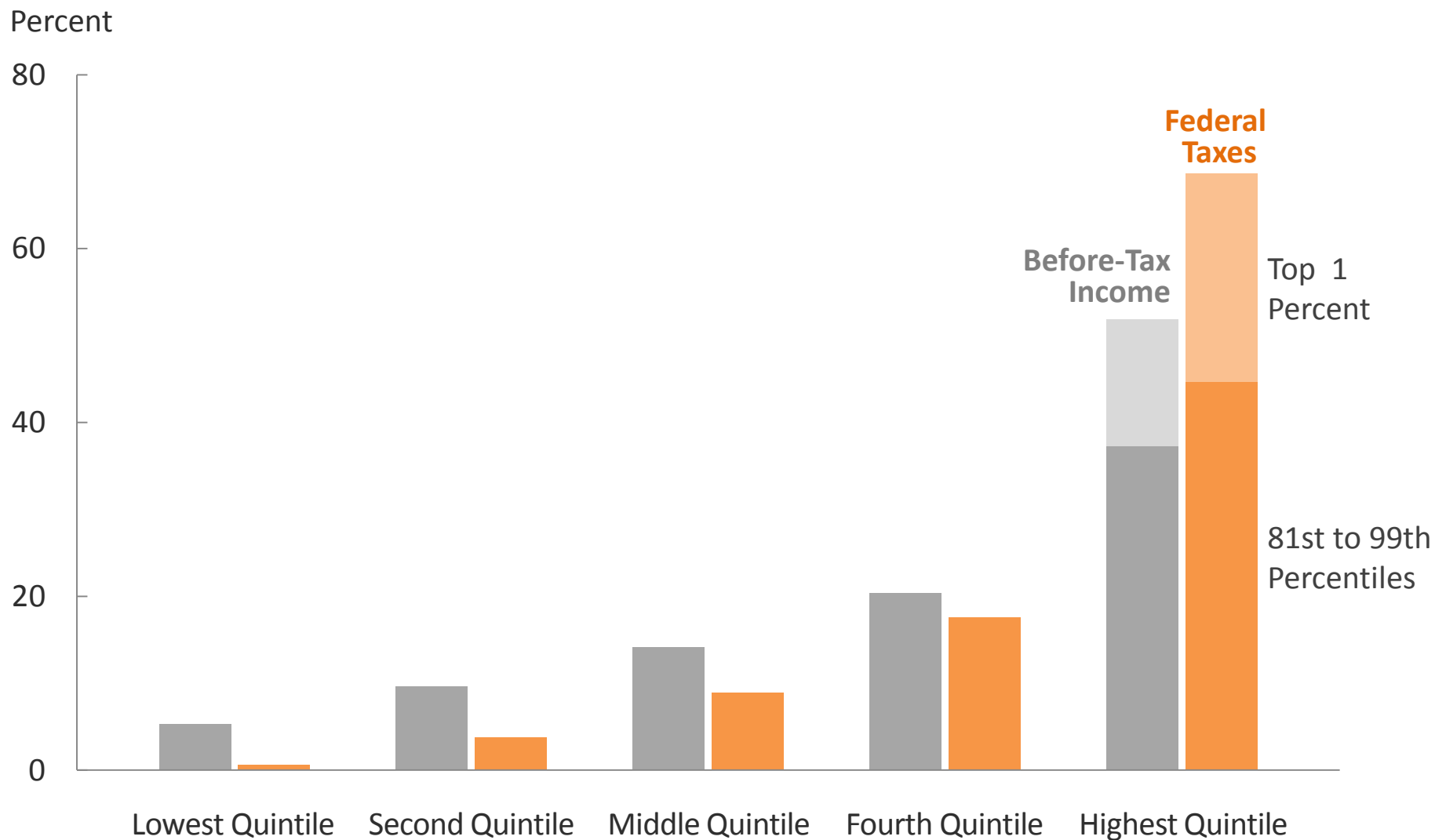
Average Federal Tax Rates, by Before-Tax Income Group and Source, 2011



Average Federal Tax Rates, by Before-Tax Income Group, 2011



Shares of Before-Tax Income and Federal Taxes, by Before-Tax Income Group, 2011

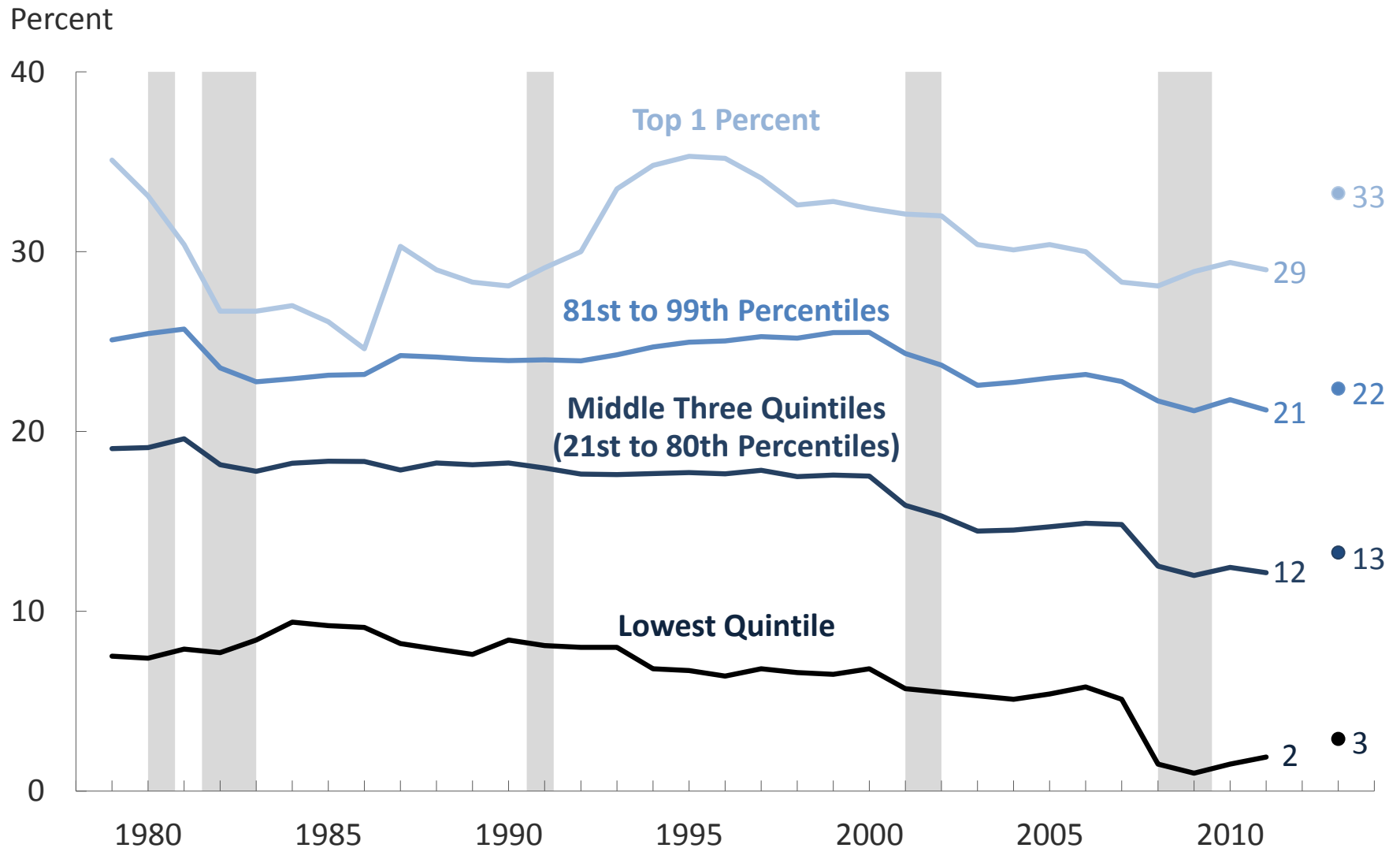


Distribution of Household Income and Federal Taxes, 2011

Five Main Points:

- Income is highly skewed toward the top.
- Income inequality has been increasing over time.
- The federal tax system is progressive.
- Average rates are near the lowest they've been for more than thirty years.

Average Federal Tax Rates, by Income Group, 1979 to 2011, and Projected Under 2013 Law

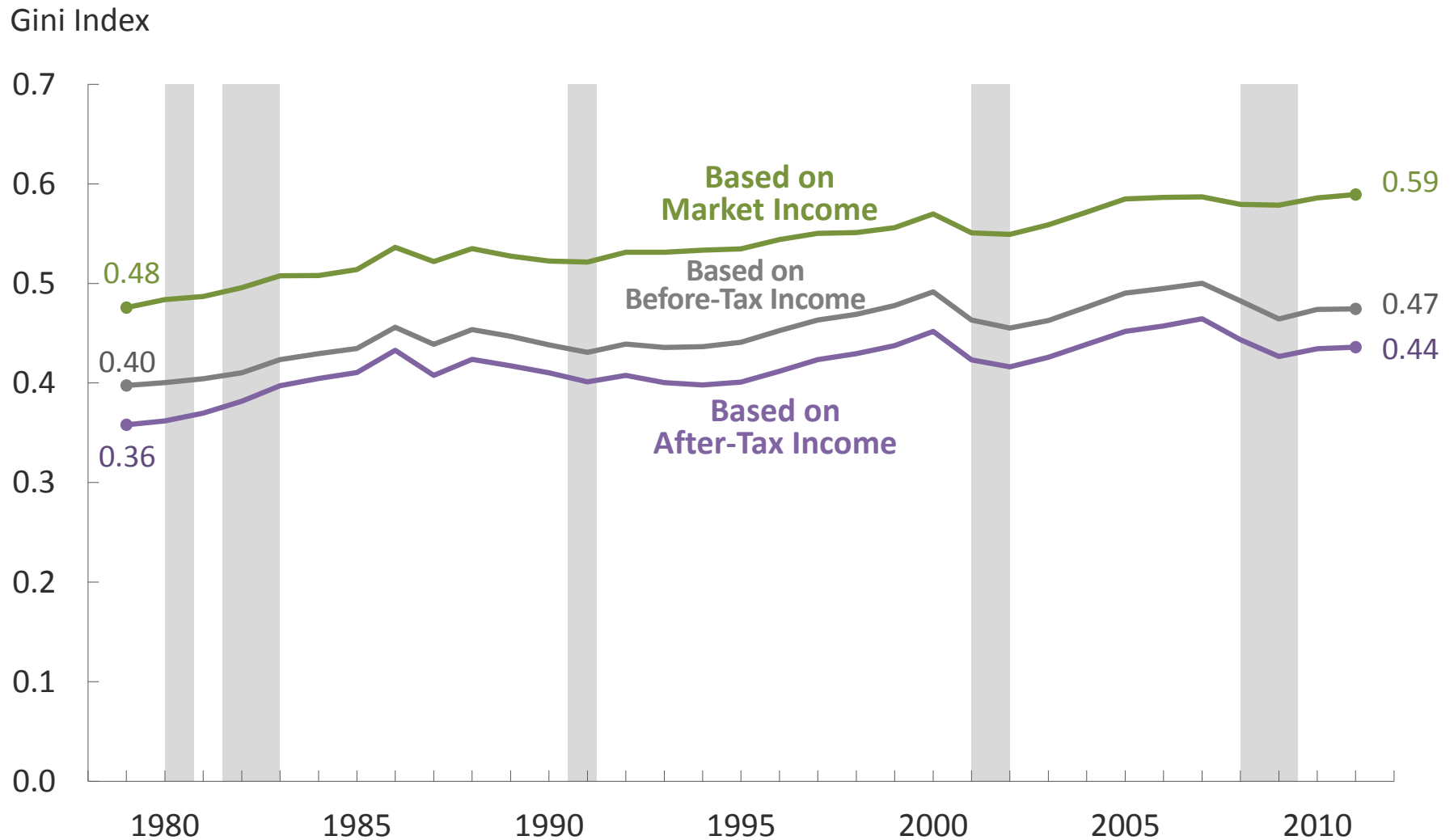


Distribution of Household Income and Federal Taxes, 2011

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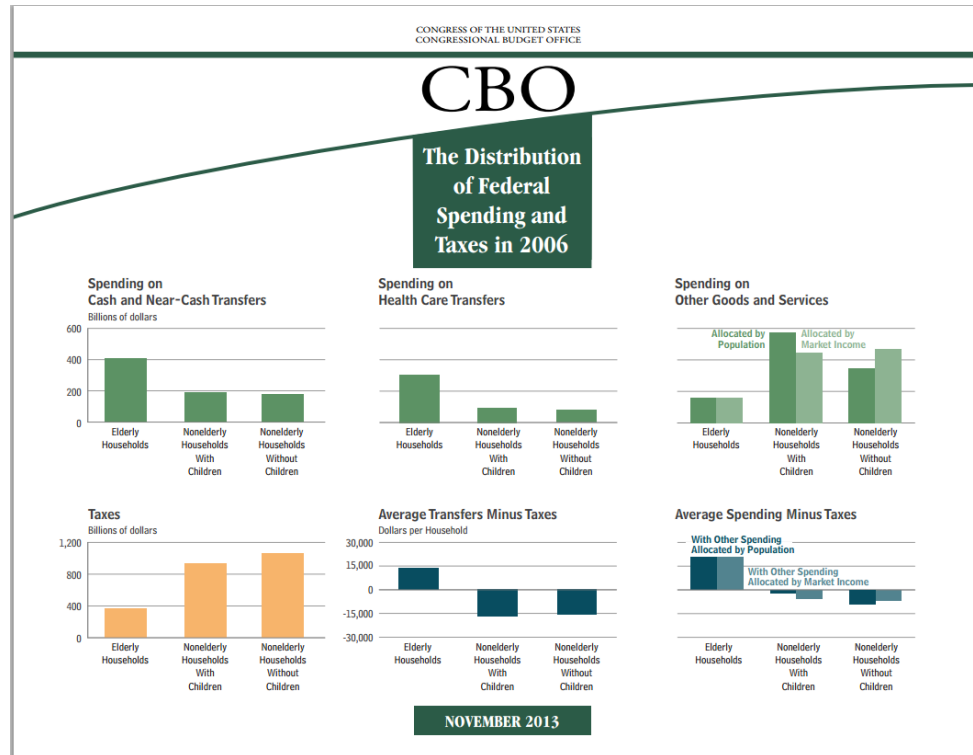
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- Income inequality has been increasing over time.
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- Average rates are near the lowest they've been for more than thirty years.
- The tax-and-transfer system has ameliorated income inequality, especially during recent economic downturns.

Trends in Gini Indexes, 1979 to 2011



Note: A Gini Index is a measure of income inequality that ranges from zero (the most equal distribution) to one (the least equal distribution).

Distribution of Federal Spending and Taxes in 2006



Overview

- Extends prior CBO distributional analyses by including more detailed analysis of federal spending
- Snapshot of a single year, calendar year 2006
- Types of household
 - Elderly
 - Nonelderly with children
 - Nonelderly without children
- Income groups among the nonelderly
 - Market income quintiles

Distribution of Federal Spending and Taxes in 2006

Three Main Points:

- Examining the distributional consequences of both taxes and spending is important.

Allocated Federal Spending and Revenues, 2006

CBO analyzed the distribution of most federal spending (88 percent), and virtually all federal taxes (98 percent) in calendar year 2006.



Categories of Federal Spending, 2006



Cash Transfers

- Social Security (Old-Age and Survivors' Insurance and Disability Insurance)
- Refundable Tax Credits
- Supplemental Security Income (SSI)
- Unemployment Insurance (UI)
- Temporary Assistance for Needy Families (TANF)
- Means-Tested Veterans' Benefits
- Black Lung Disability Benefits

Near-Cash Transfers

- Supplemental Nutrition Assistance Program (SNAP)
- Housing Assistance
- Pell Grants
- Child Nutrition Programs
- Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
- The Low Income Home Energy Assistance Program (LIHEAP)

Categories of Federal Spending, 2006



Medicare

Medicaid and Children's Health Insurance Program (CHIP)

Means-Tested Veterans' Health Benefits

Categories of Federal Spending, 2006

Cash and
Near-Cash
Transfers

Social Security

\$785 Billion

Health Care
Transfers

Medicare

\$481 Billion

Other
Goods and
Services

National Defense

\$1,080
Billion

National Defense

Other Health and Human Services (HHS)

Education

Office of Personnel Management (OPM)

Transportation

Other Veterans Affairs

Agriculture

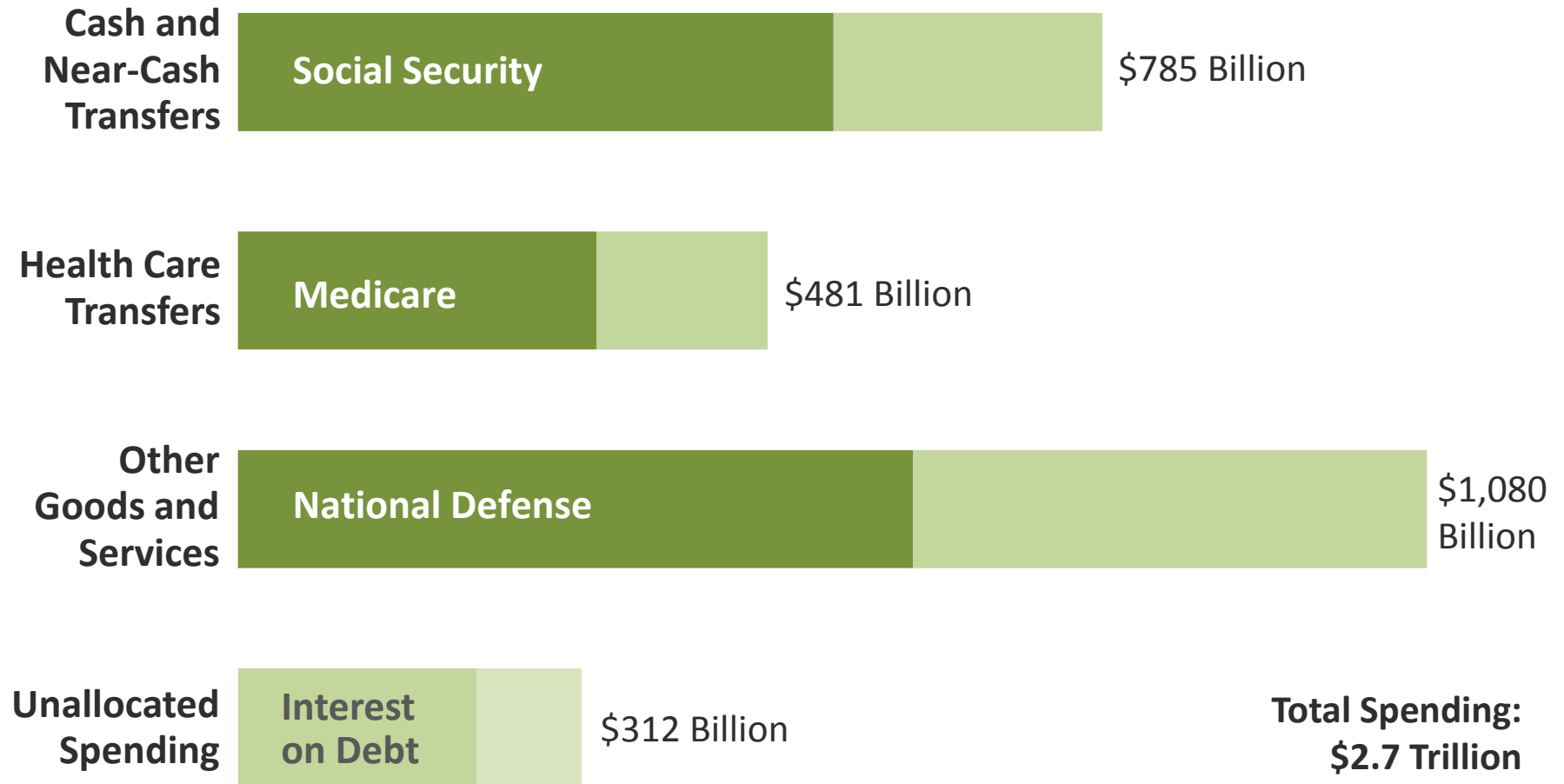
Justice

Energy

Other



Categories of Federal Spending, 2006



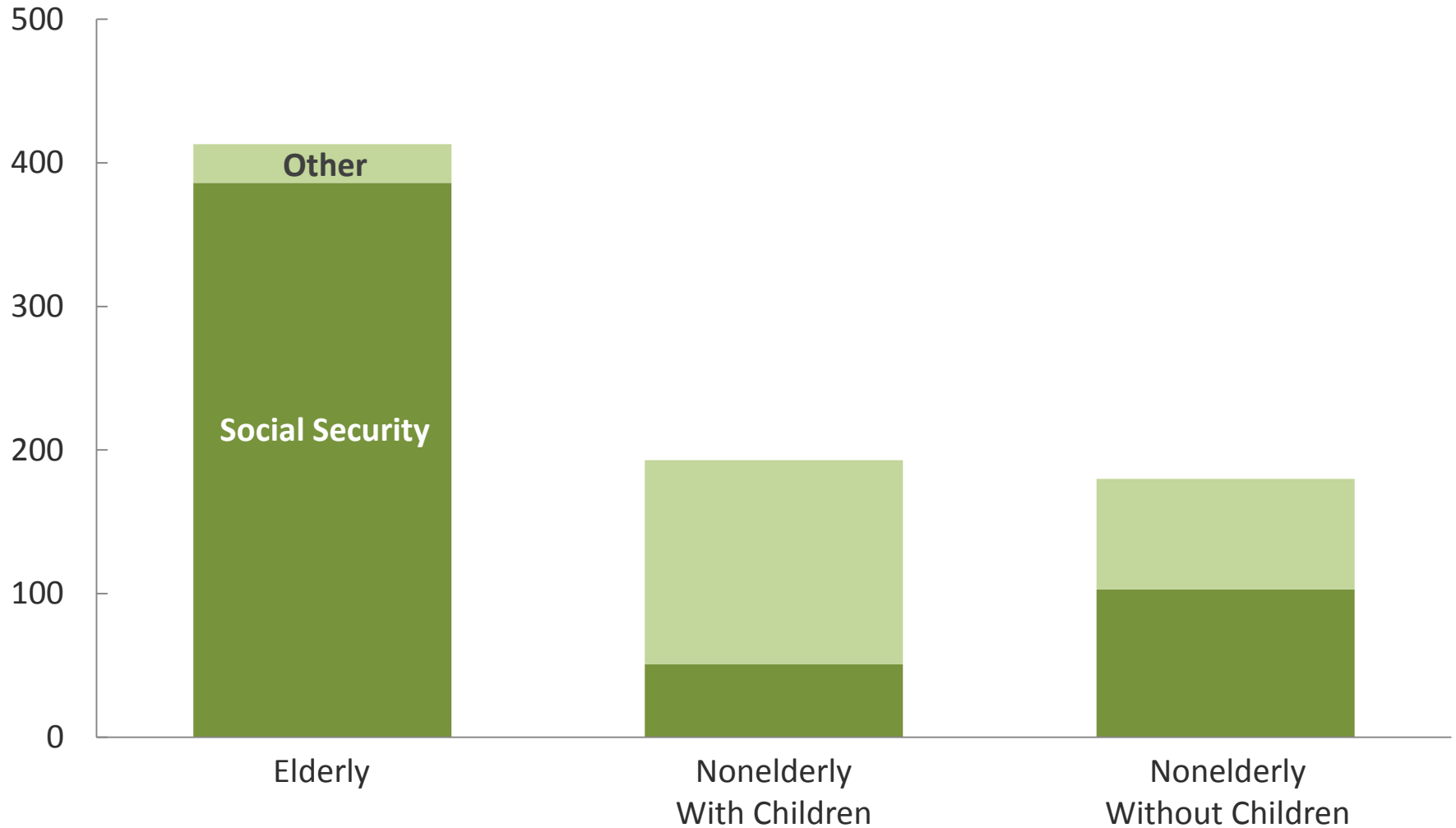
Distribution of Federal Spending and Taxes in 2006

Three Main Points:

- Examining the distributional consequences of both taxes and spending is important.
- In a given year, elderly households receive significantly more in federal spending than they pay in federal taxes.

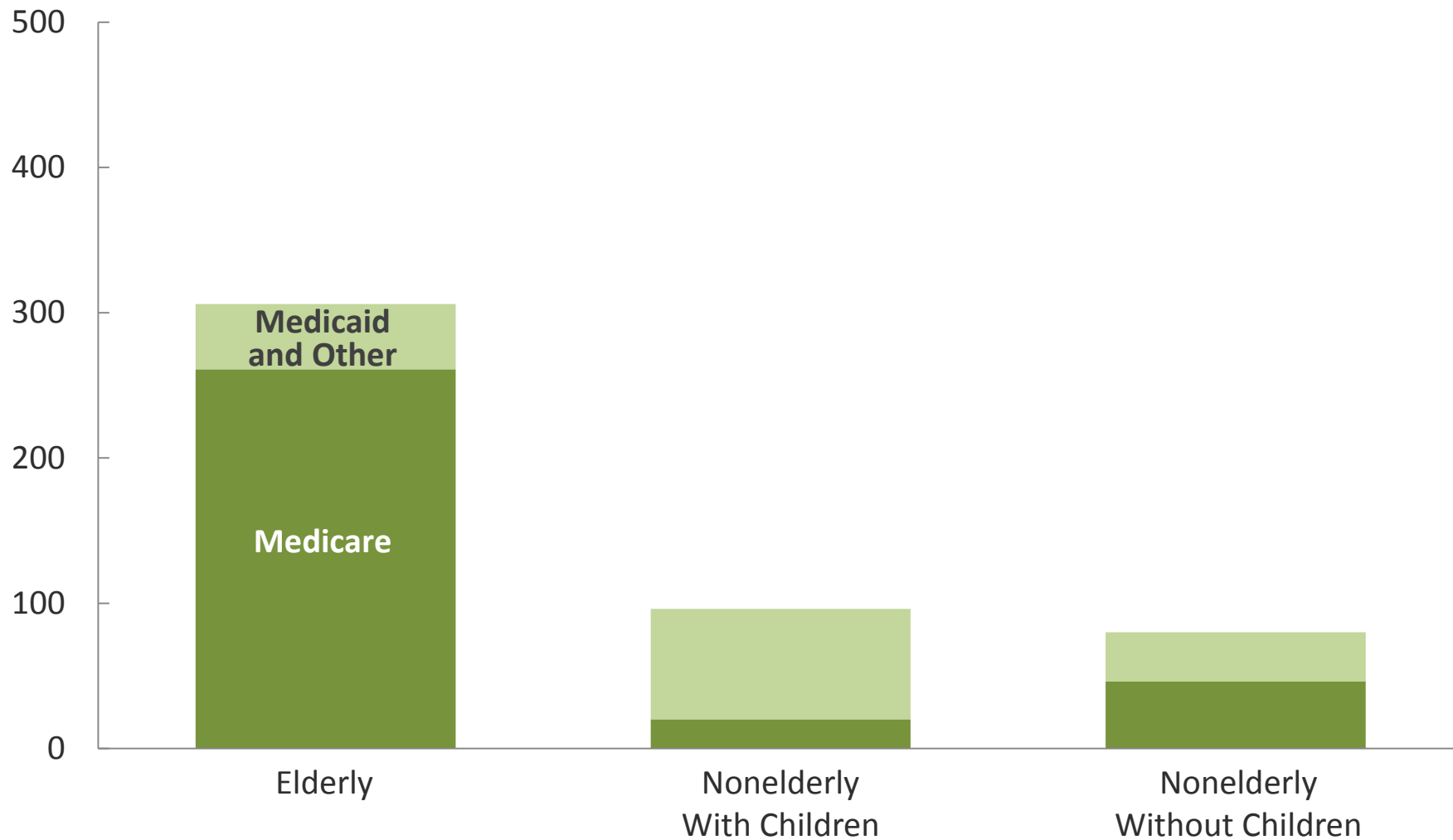
Spending on Cash and Near-Cash Transfers, by Type of Household, 2006

Billions of Dollars



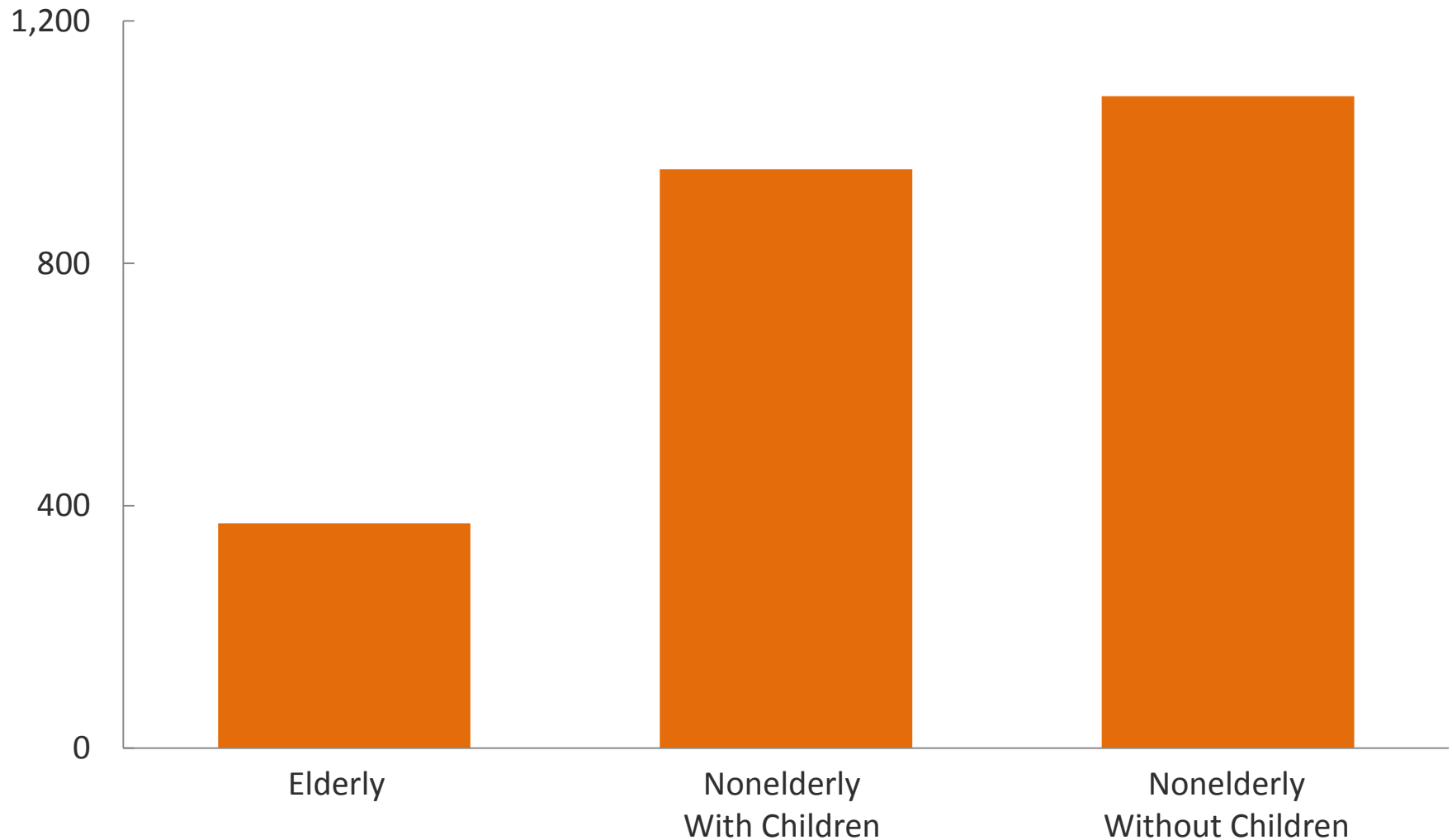
Spending on Health Care Transfers, by Type of Household, 2006

Billions of Dollars



Federal Taxes, by Type of Household, 2006

Billions of Dollars



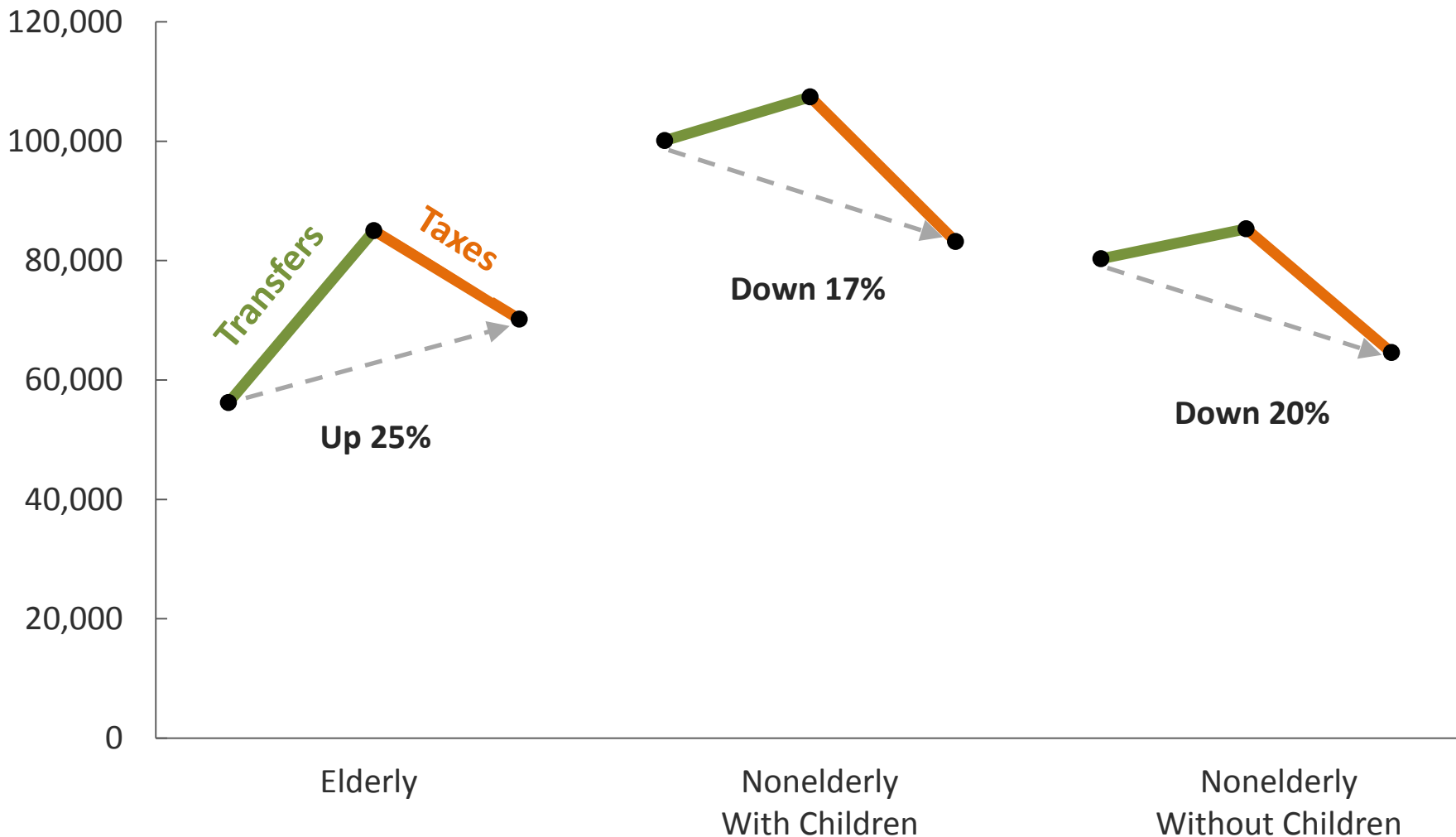
Average Transfers, Taxes, and Transfers Minus Taxes, by Type of Household, 2006

Dollars per Household



Average Market Income Plus Transfers Minus Taxes, by Type of Household, 2006

Dollars per Household

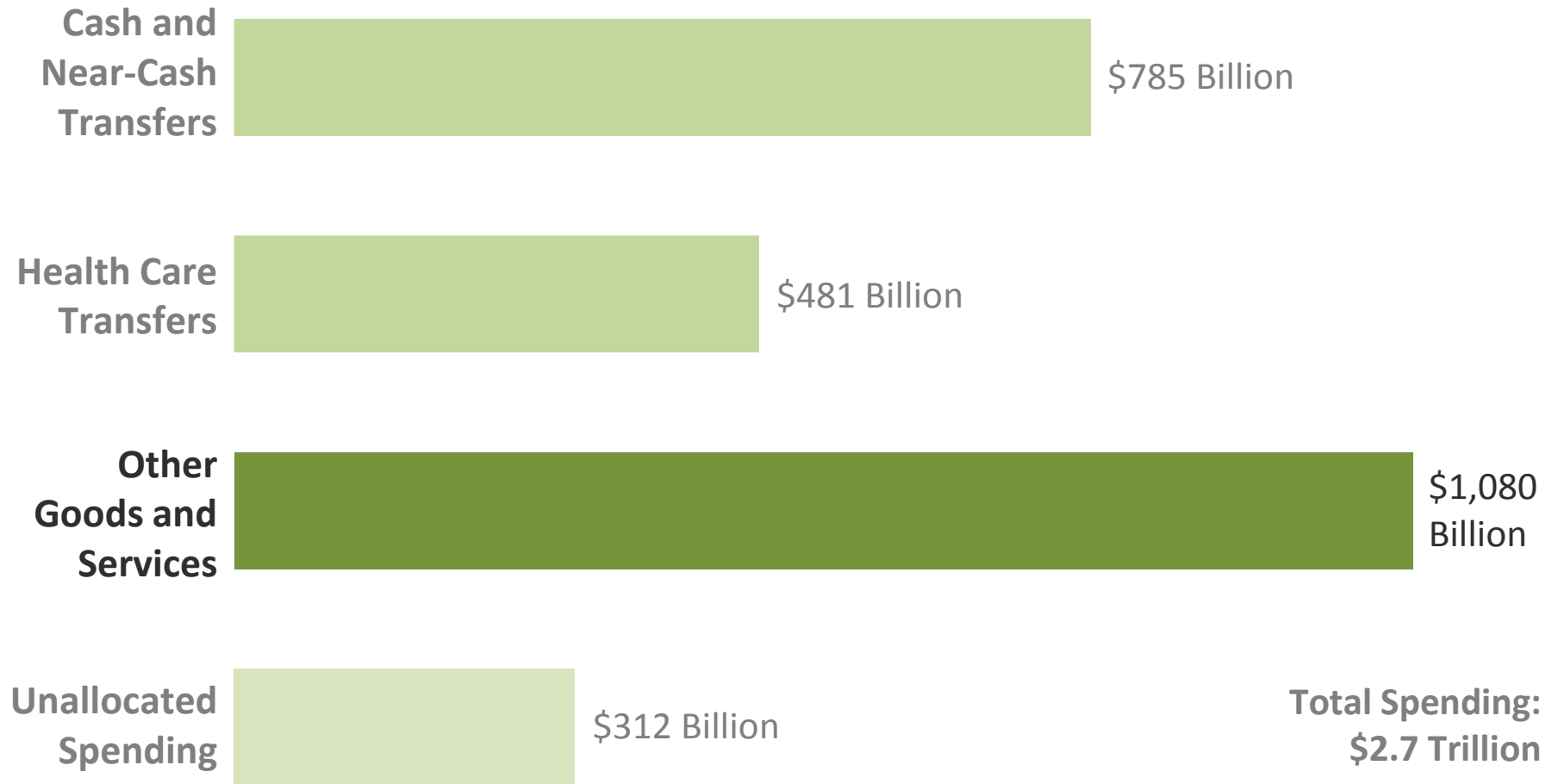


Distribution of Federal Spending and Taxes in 2006

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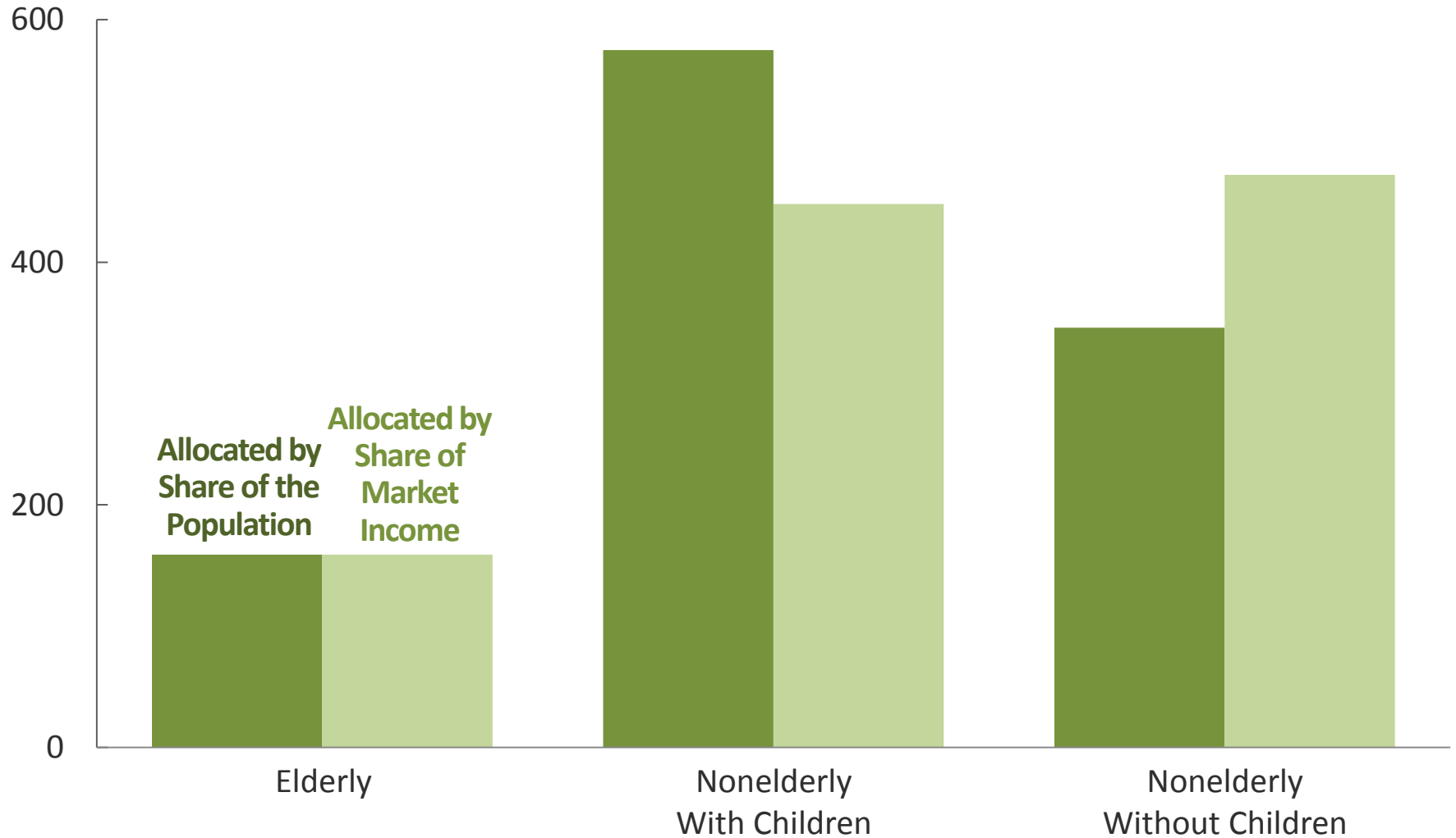
- Examining the distributional consequences of both taxes and spending is important.
- In a given year, elderly households receive significantly more in federal spending than they pay in federal taxes.
- Allocating the value of public goods to households is challenging but important.

Federal Spending, 2006

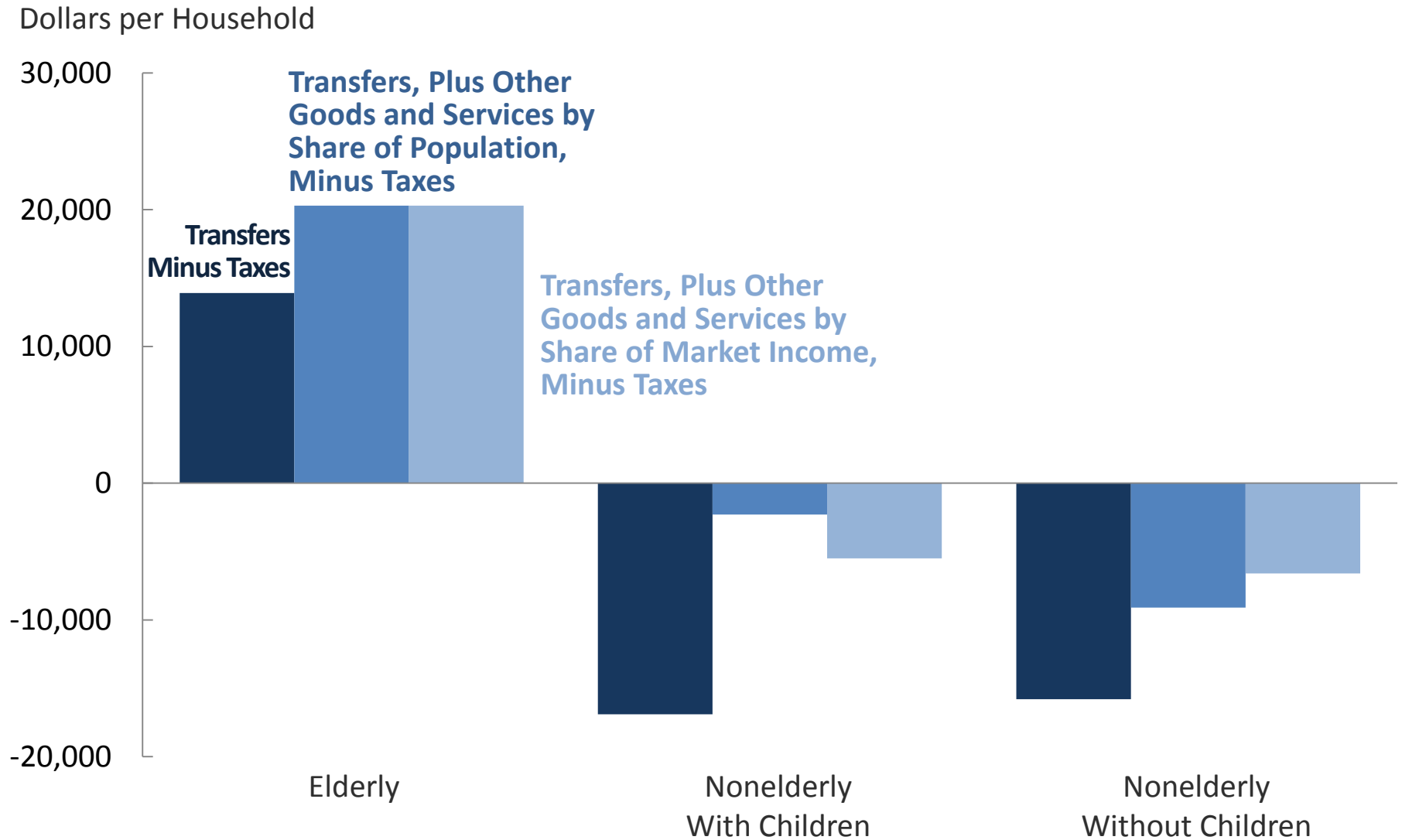


Federal Spending on Other Goods and Services, by Type of Household, 2006

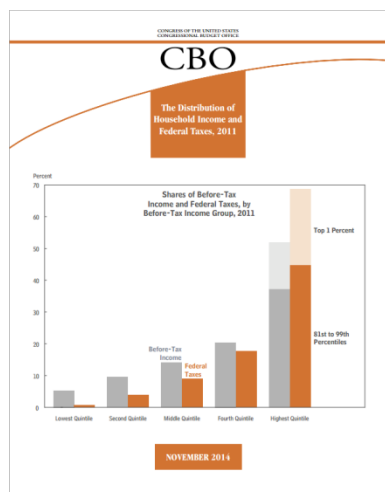
Billions of Dollars



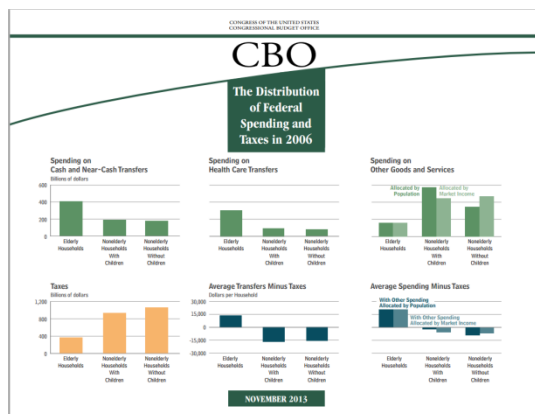
Average Spending Minus Taxes, by Type of Household, 2006



Summary



- Income is highly skewed toward the top.
- Income inequality has been increasing over time.
- The federal tax system is progressive.
- Average rates are near the lowest they have been for more than thirty years.
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- In a given year, elderly households receive significantly more in federal spending than they pay in federal taxes.
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