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Summary of Latest Federal Individual Income Tax Data

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The Internal Revenue Service has released new data on individual income taxes, reporting on calendar year 2008, a year of economic recession in which the world's financial system was temporarily in a perilous state.

The amount of individual income taxes paid fell substantially in 2008, by \$84 billion, and nationally, average income tax rates were at their lowest levels since 2004. The average tax rate for returns with a positive liability went from 12.68 percent in 2007 to 12.24 percent in 2008.

As the data below show, incomes reported by tax returns at the high end of the income spectrum plummeted from 2007 to 2008, as did their share of the nation's income and income taxes paid. In 2008, the top 1 percent of tax returns paid 38.0 percent of all federal individual income taxes and earned 20.0 percent of adjusted gross income, compared to 2007 when those figures were 40.4 percent and 22.8 percent, respectively. Both of those figures -- share of income and share of taxes paid -- were their lowest since 2004 when the top 1 percent earned 19 percent of adjusted gross income (AGI) and paid 36.9 percent of federal individual income taxes.

Each year from 2005 to 2007, the top 1 percent's constantly growing share of income earned and taxes paid set a record. That trend reversed in 2008. In fact, the income share for the top 1 percent of tax returns was lower in 2008 than in 2000, largely due to differences in capital gains.

Another indicator of this reversal in the income and tax shares of the top 1 percent is that during 2007, the top 1 percent had actually paid more in federal income tax than the bottom 95 percent, a comparison that was much remarked on a year ago. But the diminished income of the top 1 percent in 2008 means that the comparison no longer holds. During 2008, the bottom 95 percent (AGI under \$159,619) paid 41.3 percent of the total collected, a larger share than the 38.0 percent paid by the top 1 percent (AGI over \$380,354).

The top-earning 5 percent of taxpayers (AGI over \$159,619), however, still paid far more than the bottom 95 percent. The top 5 percent earned 34.7 percent of the nation's adjusted gross income, but paid approximately 58.7 percent of federal individual income taxes.

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For the past few years, the IRS has also been presenting data on a small subset of the top 1 percent, the top 0.1 percent (the top 10 percent of the top 1 percent). In 2008, this top 0.1 percent filed 140,000 tax returns, reporting nearly 10 percent of all adjusted gross income earned and paying approximately 18.5 percent of the nation's federal individual income taxes. The average income for a tax return in the top 0.1 percent was \$6.0 million in 2008, while the average amount of income tax paid was \$1.36 million, indicating an average effective individual income tax rate of 22.7 percent. Both the income figures and tax figures for this group in 2008 were down significantly from 2007 levels.

[Note: This very top income group actually has a lower average effective income tax rate than the rest of the top 1 percent of returns because these extremely high-income returns are more likely to have income from capital gains and dividends, which are typically taxed at lower rates. It's worth pointing out that in the case of capital gains and dividends, usually the income has already been taxed once by the corporate income tax, which is not included here, meaning the average effective tax rate numbers can be somewhat misleading.]

Overall, these data on high-income tax returns appear to confirm that the recent recession had the same diminishing effect on income inequality that most recessions have, and that it occurred for the same reason, a sharp decline in income at the high end. This appears to contradict [recent reports](#)¹ based upon Census data suggesting the opposite, that this recession had actually increased income inequality. This inconsistency between IRS data and Census data is explained by a number of factors such as: (1) Census doesn't break down data for the extremely high income tax returns (typically stops at the 5 percent threshold), (2) Census income measures do not account for capital gains realizations, and (3) Census data gathered from household surveys are less reliable for income information at the high end of the income spectrum than IRS data.

The IRS data below include all of the 139.96 million tax returns filed in 2008 that had a positive AGI, not just the returns from people who earned enough to owe taxes. These figures exclude those tax returns filing a return merely to receive a stimulus check.

From other IRS data, we can see that in 2008, around 52 million tax returns were filed with either positive or negative AGI that used exemptions, deductions and tax credits to completely wipe out their federal income tax liability. Not only did they get back every dollar that the federal government withheld from their paychecks during 2008, but some even received more back from the IRS. This is a result of refundable tax credits like the earned income tax credit (EITC), the refundable portion of which is not included in the aggregate percentile data here. (For a detailed paper on the distribution of the entire U.S. fiscal system, including all federal, state and local taxes, read "[Who Pays Taxes and Who Receives Government Spending? An Analysis of Federal, State and Local Tax and Spending Distributions, 1991 - 2004.](#)")²

Including all tax returns that had a positive AGI, taxpayers with an AGI of \$159,619 or more in 2008 constituted the nation's top 5 percent of income earners. To break into the top 1 percent, a tax return had to have an AGI of \$380,354 or more, which was significantly lower than the 2007 threshold of \$410,096. The income threshold to break into the top 0.1 percent also fell dramatically from 2007 to 2008, from about \$2.15 million in 2007 to \$1.8 million in 2008. (Note also that the figures in the tables include data on the top 2 percent, 3 percent and 4 percent, available at <http://www.taxfoundation.org/publications/show/23408.html>.)

Although the 2001 and 2003 tax cuts were across the board (even though certain provisions within those cuts were targeted at various income ranges), the federal individual income tax remains highly progressive. The average tax rate in 2008 ranged from around 2.6 percent of income for the bottom half of tax returns to 23.27 percent for the top 1 percent. For the top 1 percent (as well as the top 0.1 percent), their average income tax rate actually increased from 2007 to 2008, despite shrunken income. This counterintuitive result is explained

by the diminished capital gains and dividend income on high-income tax returns, income sources that are taxed at lower rates. With their 2008 income more dominated by ordinary income taxed at higher rates, then, the average rate on high-income returns rose in 2008. With the possible exception of the estate tax, the federal income tax is the most progressive tax in the United States, and these numbers show why.

The source for the following charts is the Internal Revenue Service, <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=133521,00.html> ("Individual Income Tax Returns with Positive Adjusted Gross Income (AGI) Returns Classified by Tax Percentile - Early Release"). To view more-detailed versions of these charts or to download them in Excel or PDF, see <http://www.taxfoundation.org/publications/show/23408.html>.

Table 1
Summary of Federal Individual Income Tax Data, 2008
(Updated October 2010)

	Number of Returns with Positive AGI	AGI (\$ millions)	Income Taxes Paid (\$ millions)	Group's Share of Total AGI	Group's Share of Income Taxes	Income Split Point	Average Tax Rate
All Taxpayers	139,960,580	8,426,625	1,031,512	100%	100%	-	12.24%
Top 1%	1,399,606	1,685,472	392,149	20.00%	38.02%	\$380,354	23.27%
1-5%	5,598,423	1,241,229	213,569	14.73%	20.70%		17.21%
Top 5%	6,998,029	2,926,701	605,718	34.73%	58.72%	\$159,619	20.70%
5-10%	6,998,029	929,761	115,703	11.03%	11.22%		12.44%
Top 10%	13,996,058	3,856,462	721,421	45.77%	69.94%	\$113,799	18.71%
10-25%	20,994,087	1,821,717	169,193	21.62%	16.40%		9.29%
Top 25%	34,990,145	5,678,179	890,614	67.38%	86.34%	\$67,280	15.68%
25-50%	34,990,145	1,673,932	113,025	19.86%	10.96%		6.75%
Top 50%	69,980,290	7,352,111	1,003,639	87.25%	97.30%	>\$33,048	13.65%
Bottom 50%	69,980,290	1,074,514	27,873	12.75%	2.70%	<\$33,048	2.59%
Source: Internal Revenue Service							

Table 2

Number of Federal Individual Income Tax Returns Filed 1980-2008 (In thousands)											
Year	Total	Top 1%	Top 1%	Top 5%	Between 5% & 10%	Top 10%	Between 10% & 25%	Top 25%	Between 25% & 50%	Top 50%	Bottom 50%
1980	93,239		932	4,662	4,662	9,324	13,986	23,310	23,310	46,619	46,619
1981	94,587		946	4,729	4,729	9,459	14,188	23,647	23,647	47,293	47,293
1982	94,426		944	4,721	4,721	9,443	14,164	23,607	23,607	47,213	47,213
1983	95,331		953	4,767	4,767	9,533	14,300	23,833	23,833	47,665	47,665
1984	98,436		984	4,922	4,922	9,844	14,765	24,609	24,609	49,218	49,219
1985	100,625		1,006	5,031	5,031	10,063	15,094	25,156	25,156	50,313	50,313
1986	102,088		1,021	5,104	5,104	10,209	15,313	25,522	25,522	51,044	51,044
Tax Reform Act of 1986 changed the definition of AGI, so data above and below this line not strictly comparable											
1987	106,155		1,062	5,308	5,308	10,615	15,923	26,539	26,539	53,077	53,077
1988	108,873		1,089	5,444	5,444	10,887	16,331	27,218	27,218	54,436	54,436
1989	111,313		1,113	5,566	5,566	11,131	16,697	27,828	27,828	55,656	55,656
1990	112,812		1,128	5,641	5,641	11,281	16,922	28,203	28,203	56,406	56,406
1991	113,804		1,138	5,690	5,690	11,380	17,071	28,451	28,451	56,902	56,902
1992	112,653		1,127	5,633	5,633	11,265	16,898	28,163	28,163	56,326	56,326
1993	113,681		1,137	5,684	5,684	11,368	17,052	28,420	28,420	56,841	56,841
1994	114,990		1,150	5,749	5,749	11,499	17,248	28,747	28,747	57,495	57,495
1995	117,274		1,173	5,864	5,864	11,727	17,591	29,319	29,319	58,637	58,637
1996	119,442		1,194	5,972	5,972	11,944	17,916	29,860	29,860	59,721	59,721
1997	121,503		1,215	6,075	6,075	12,150	18,225	30,376	30,376	60,752	60,752
1998	123,776		1,238	6,189	6,189	12,378	18,566	30,944	30,944	61,888	61,888
1999	126,009		1,260	6,300	6,300	12,601	18,901	31,502	31,502	63,004	63,004
2000	128,227		1,282	6,411	6,411	12,823	19,234	32,057	32,057	64,114	64,114
2001	128,817	129	1,288	6,441	6,441	12,882	19,323	32,204	32,204	64,409	64,409
2002	128,324	128	1,283	6,416	6,416	12,832	19,249	32,081	32,081	64,162	64,162
2003	128,610	129	1,286	6,430	6,430	12,861	19,291	32,152	32,152	64,305	64,305
2004	130,371	130	1,304	6,519	6,519	13,037	19,556	32,593	32,593	65,186	65,186
2005	132,612	133	1,326	6,631	6,631	13,261	19,892	33,153	33,153	66,306	66,306
2006	135,719	136	1,357	6,786	6,786	13,572	20,358	33,930	33,930	67,860	67,860
2007	141,071	141	1,411	7,054	7,054	14,107	21,161	35,268	35,268	70,535	70,535
2008	139,961	140	1,400	6,998	6,998	13,996	20,994	34,990	34,990	69,980	69,980

Table 3

Adjusted Gross Income of Taxpayers in Various Income Brackets, 1980-2008 (\$ Billions)											
Year	Total	Top .1%	Top 1%	Top 5%	Between 5% & 10%	Top 10%	Between 10% & 25%	Top 25%	Between 25% & 50%	Top 50%	Bottom 50%
1980	1,627		138	342	181	523	400	922	417	1,339	288
1981	1,791		149	372	201	573	442	1,015	458	1,473	318
1982	1,876		167	398	207	605	460	1,065	478	1,544	332
1983	1,970		183	428	217	646	481	1,127	498	1,625	344
1984	2,173		210	482	240	723	528	1,251	543	1,794	379
1985	2,344		235	531	260	791	567	1,359	580	1,939	405
1986	2,524		285	608	278	887	604	1,490	613	2,104	421
Tax Reform Act of 1986 changed the definition of AGI, so data above and below this line not strictly comparable											
1987	2,814		347	722	316	1,038	671	1,709	664	2,374	440
1988	3,124		474	891	342	1,233	718	1,951	707	2,658	466
1989	3,299		468	918	368	1,287	768	2,054	751	2,805	494
1990	3,451		483	953	385	1,338	806	2,144	788	2,933	519
1991	3,516		457	943	400	1,343	832	2,175	809	2,984	532
1992	3,681		524	1,031	413	1,444	856	2,299	832	3,131	549
1993	3,776		521	1,048	426	1,474	883	2,358	854	3,212	563
1994	3,961		547	1,103	449	1,552	929	2,481	890	3,371	590
1995	4,245		620	1,223	482	1,705	985	2,690	938	3,628	617
1996	4,591		737	1,394	515	1,909	1,043	2,953	992	3,944	646
1997	5,023		873	1,597	554	2,151	1,116	3,268	1,060	4,328	695
1998	5,469		1,010	1,797	597	2,394	1,196	3,590	1,132	4,721	748
1999	5,909		1,153	2,012	641	2,653	1,274	3,927	1,199	5,126	783
2000	6,424		1,337	2,267	688	2,955	1,358	4,314	1,276	5,590	834
2001	6,241	506	1,094	1,996	694	2,691	1,380	4,071	1,308	5,379	862
2002	6,114	432	986	1,868	686	2,553	1,382	3,936	1,309	5,244	870
2003	6,288	476	1,055	1,961	703	2,663	1,415	4,078	1,330	5,408	880
2004	6,875	629	1,306	2,300	750	3,049	1,497	4,546	1,406	5,953	922
2005	7,508	799	1,592	2,684	803	3,487	1,582	5,069	1,475	6,545	963
2006	8,122	911	1,792	2,978	865	3,843	1,693	5,536	1,570	7,106	1,016
2007	8,799	1,049	2,008	3,295	933	4,228	1,818	6,045	1,675	7,720	1,078
2008	8,427	839	1,685	2,927	930	3,856	1,822	5,678	1,674	7,352	1,075
Source: IRS											

Table 4

Total Income Tax after Credits, 1980-2008 (\$ Billions)											
Year	Total	Top .1%	Top 1%	Top 5%	Between 5% & 10%	Top 10%	Between 10% & 25%	Top 25%	Between 25% & 50%	Top 50%	Bottom 50%
1980	249		47	92	31	123	59	182	50	232	18
1981	282		50	99	36	135	69	204	57	261	21
1982	276		53	100	34	134	66	200	56	256	20
1983	272		55	101	34	135	64	199	54	252	19
1984	297		63	113	37	150	68	219	57	276	22
1985	322		70	125	41	166	73	238	60	299	23
1986	367		94	156	44	201	78	279	64	343	24
Tax Reform Act of 1986 changed the definition of AGI, so data above and below this line not strictly comparable											
1987	369		92	160	46	205	79	284	63	347	22
1988	413		114	188	48	236	85	321	68	389	24
1989	433		109	190	51	241	93	334	73	408	25
1990	447		112	195	52	248	97	344	77	421	26
1991	448		111	194	56	250	96	347	77	424	25
1992	476		131	218	58	276	97	374	78	452	24
1993	503		146	238	60	298	101	399	80	479	24
1994	535		154	254	64	318	108	425	84	509	25
1995	588		178	288	70	357	115	473	88	561	27
1996	658		213	335	76	411	124	535	95	630	28
1997	727		241	377	82	460	134	594	102	696	31
1998	788		274	425	88	513	139	652	103	755	33
1999	877		317	486	97	583	150	733	109	842	35
2000	981		367	554	106	660	164	824	118	942	38
2001	888	143	301	473	103	576	160	736	117	853	35
2002	797	123	269	429	95	524	145	669	100	769	28
2003	748	117	256	407	86	492	135	627	95	722	26
2004	832	145	307	475	92	567	139	706	99	804	27
2005	935	180	368	558	99	657	147	804	102	906	29
2006	1,024	200	408	616	109	725	158	883	110	993	31
2007	1,116	225	451	676	118	794	171	966	117	1,083	32
2008	1,032	190	392	606	116	721	169	891	113	1,004	28
Source: IRS											

Table 5

Adjusted Gross Income Shares, 1980-2008 (Percent of total AGI earned by each group)											
Year	Total	Top .1%	Top 1%	Top 5%	Between 5% & 10%	Top 10%	Between 10% & 25%	Top 25%	Between 25% & 50%	Top 50%	Bottom 50%
1980	100%		8.46%	21.01%	11.12%	32.13%	24.57%	56.70%	25.62%	82.32%	17.68%
1981	100%		8.30%	20.78%	11.20%	31.98%	24.69%	56.67%	25.59%	82.25%	17.75%
1982	100%		8.91%	21.23%	11.03%	32.26%	24.53%	56.79%	25.50%	82.29%	17.71%
1983	100%		9.29%	21.74%	11.04%	32.78%	24.44%	57.22%	25.30%	82.52%	17.48%
1984	100%		9.66%	22.19%	11.06%	33.25%	24.31%	57.56%	25.00%	82.56%	17.44%
1985	100%		10.03%	22.67%	11.10%	33.77%	24.21%	57.97%	24.77%	82.74%	17.26%
1986	100%		11.30%	24.11%	11.02%	35.12%	23.92%	59.04%	24.30%	83.34%	16.66%
Tax Reform Act of 1986 changed the definition of AGI, so data above and below this line not strictly comparable											
1987	100%		12.32%	25.67%	11.23%	36.90%	23.85%	60.75%	23.62%	84.37%	15.63%
1988	100%		15.16%	28.51%	10.94%	39.45%	22.99%	62.44%	22.63%	85.07%	14.93%
1989	100%		14.19%	27.84%	11.16%	39.00%	23.28%	62.28%	22.76%	85.04%	14.96%
1990	100%		14.00%	27.62%	11.15%	38.77%	23.36%	62.13%	22.84%	84.97%	15.03%
1991	100%		12.99%	26.83%	11.37%	38.20%	23.65%	61.85%	23.01%	84.87%	15.13%
1992	100%		14.23%	28.01%	11.21%	39.23%	23.25%	62.47%	22.61%	85.08%	14.92%
1993	100%		13.79%	27.76%	11.29%	39.05%	23.40%	62.45%	22.63%	85.08%	14.92%
1994	100%		13.80%	27.85%	11.34%	39.19%	23.45%	62.64%	22.48%	85.11%	14.89%
1995	100%		14.60%	28.81%	11.35%	40.16%	23.21%	63.37%	22.09%	85.46%	14.54%
1996	100%		16.04%	30.36%	11.23%	41.59%	22.73%	64.32%	21.60%	85.92%	14.08%
1997	100%		17.38%	31.79%	11.03%	42.83%	22.22%	65.05%	21.11%	86.16%	13.84%
1998	100%		18.47%	32.85%	10.92%	43.77%	21.87%	65.63%	20.69%	86.33%	13.67%
1999	100%		19.51%	34.04%	10.85%	44.89%	21.57%	66.46%	20.29%	86.75%	13.25%
2000	100%		20.81%	35.30%	10.71%	46.01%	21.15%	67.15%	19.86%	87.01%	12.99%
2001	100%	8.10%	17.53%	31.99%	11.12%	43.11%	22.12%	65.23%	20.96%	86.19%	13.81%
2002	100%	7.06%	16.12%	30.55%	11.22%	41.77%	22.61%	64.37%	21.40%	85.77%	14.23%
2003	100%	7.57%	16.77%	31.18%	11.18%	42.36%	22.50%	64.86%	21.15%	86.01%	13.99%
2004	100%	9.14%	19.00%	33.45%	10.90%	44.35%	21.78%	66.13%	20.46%	86.58%	13.42%
2005	100%	10.65%	21.20%	35.75%	10.70%	46.44%	21.08%	67.52%	19.65%	87.17%	12.83%
2006	100%	11.22%	22.06%	36.66%	10.66%	47.32%	20.84%	68.16%	19.33%	87.49%	12.51%
2007	100%	11.93%	22.83%	37.44%	10.61%	48.05%	20.66%	68.71%	19.04%	87.74%	12.26%
2008	100%	9.96%	20.00%	34.73%	11.03%	45.77%	21.62%	67.38%	19.86%	87.25%	12.75%
Source: IRS											

Table 6

Total Income Tax Shares, 1980-2008 (Percent of federal income tax paid by each group)											
Year	Total	Top .1%	Top 1%	Top 5%	Between 5% & 10%	Top 10%	Between 10% & 25%	Top 25%	Between 25% & 50%	Top 50%	Bottom 50%
1980	100%		19.05%	36.84%	12.44%	49.28%	23.74%	73.02%	19.93%	92.95%	7.05%
1981	100%		17.58%	35.06%	12.90%	47.96%	24.33%	72.29%	20.26%	92.55%	7.45%
1982	100%		19.03%	36.13%	12.45%	48.59%	23.91%	72.50%	20.15%	92.65%	7.35%
1983	100%		20.32%	37.26%	12.44%	49.71%	23.39%	73.10%	19.73%	92.83%	7.17%
1984	100%		21.12%	37.98%	12.58%	50.56%	22.92%	73.49%	19.16%	92.65%	7.35%
1985	100%		21.81%	38.78%	12.67%	51.46%	22.60%	74.06%	18.77%	92.83%	7.17%
1986	100%		25.75%	42.57%	12.12%	54.69%	21.33%	76.02%	17.52%	93.54%	6.46%
Tax Reform Act of 1986 changed the definition of AGI, so data above and below this line not strictly comparable											
1987	100%		24.81%	43.26%	12.35%	55.61%	21.31%	76.92%	17.02%	93.93%	6.07%
1988	100%		27.58%	45.62%	11.66%	57.28%	20.57%	77.84%	16.44%	94.28%	5.72%
1989	100%		25.24%	43.94%	11.85%	55.78%	21.44%	77.22%	16.94%	94.17%	5.83%
1990	100%		25.13%	43.64%	11.73%	55.36%	21.66%	77.02%	17.16%	94.19%	5.81%
1991	100%		24.82%	43.38%	12.45%	55.82%	21.46%	77.29%	17.23%	94.52%	5.48%
1992	100%		27.54%	45.88%	12.12%	58.01%	20.47%	78.48%	16.46%	94.94%	5.06%
1993	100%		29.01%	47.36%	11.88%	59.24%	20.03%	79.27%	15.92%	95.19%	4.81%
1994	100%		28.86%	47.52%	11.93%	59.45%	20.10%	79.55%	15.68%	95.23%	4.77%
1995	100%		30.26%	48.91%	11.84%	60.75%	19.62%	80.36%	15.03%	95.39%	4.61%
1996	100%		32.31%	50.97%	11.54%	62.51%	18.80%	81.32%	14.36%	95.68%	4.32%
1997	100%		33.17%	51.87%	11.33%	63.20%	18.47%	81.67%	14.05%	95.72%	4.28%
1998	100%		34.75%	53.84%	11.20%	65.04%	17.65%	82.69%	13.10%	95.79%	4.21%
1999	100%		36.18%	55.45%	11.00%	66.45%	17.09%	83.54%	12.46%	96.00%	4.00%
2000	100%		37.42%	56.47%	10.86%	67.33%	16.68%	84.01%	12.08%	96.09%	3.91%
2001	100%	16.06%	33.89%	53.25%	11.64%	64.89%	18.01%	82.90%	13.13%	96.03%	3.97%
2002	100%	15.43%	33.71%	53.80%	11.94%	65.73%	18.16%	83.90%	12.60%	96.50%	3.50%
2003	100%	15.68%	34.27%	54.36%	11.48%	65.84%	18.04%	83.88%	12.65%	96.54%	3.46%
2004	100%	17.44%	36.89%	57.13%	11.07%	68.19%	16.67%	84.86%	11.85%	96.70%	3.30%
2005	100%	19.26%	39.38%	59.67%	10.63%	70.30%	15.69%	85.99%	10.94%	96.93%	3.07%
2006	100%	19.56%	39.89%	60.14%	10.65%	70.79%	15.47%	86.27%	10.75%	97.01%	2.99%
2007	100%	20.19%	40.41%	60.61%	10.59%	71.20%	15.37%	86.57%	10.54%	97.11%	2.89%
2008	100%	18.47%	38.02%	58.72%	11.22%	69.94%	16.40%	86.34%	10.96%	97.30%	2.70%
Source: IRS											

Table 7

Dollar Cut-Off, 1980-2008 (Minimum AGI for tax return to fall into various percentiles)							
Year	Total	Top 0.1%	Top 1%	Top 5%	Top 10%	Top 25%	Top 50%
1980	0		\$80,580	\$43,792	\$35,070	\$23,606	\$12,936
1981	0		\$85,428	\$47,845	\$38,283	\$25,655	\$14,000
1982	0		\$89,388	\$49,284	\$39,676	\$27,027	\$14,539
1983	0		\$93,512	\$51,553	\$41,222	\$27,827	\$15,044
1984	0		\$100,889	\$55,423	\$43,956	\$29,360	\$15,998
1985	0		\$108,134	\$58,883	\$46,322	\$30,928	\$16,688
1986	0		\$118,818	\$62,377	\$48,656	\$32,242	\$17,302
Tax Reform Act of 1986 changed the definition of AGI, so data above and below this line not strictly comparable							
1987	0		\$139,289	\$68,414	\$52,921	\$33,983	\$17,768
1988	0		\$157,136	\$72,735	\$55,437	\$35,398	\$18,367
1989	0		\$163,869	\$76,933	\$58,263	\$36,839	\$18,993
1990	0		\$167,421	\$79,064	\$60,287	\$38,080	\$19,767
1991	0		\$170,139	\$81,720	\$61,944	\$38,929	\$20,097
1992	0		\$181,904	\$85,103	\$64,457	\$40,378	\$20,803
1993	0		\$185,715	\$87,386	\$66,077	\$41,210	\$21,179
1994	0		\$195,726	\$91,226	\$68,753	\$42,742	\$21,802
1995	0		\$209,406	\$96,221	\$72,094	\$44,207	\$22,344
1996	0		\$227,546	\$101,141	\$74,986	\$45,757	\$23,174
1997	0		\$250,736	\$108,048	\$79,212	\$48,173	\$24,393
1998	0		\$269,496	\$114,729	\$83,220	\$50,607	\$25,491
1999	0		\$293,415	\$120,846	\$87,682	\$52,965	\$26,415
2000	0		\$313,469	\$128,336	\$92,144	\$55,225	\$27,682
2001	0	\$1,324,487	\$292,913	\$127,904	\$92,754	\$56,085	\$28,528
2002	0	\$1,191,673	\$285,424	\$126,525	\$92,663	\$56,401	\$28,654
2003	0	\$1,262,760	\$295,495	\$130,080	\$94,891	\$57,343	\$29,019
2004	0	\$1,548,941	\$328,049	\$137,056	\$99,112	\$60,041	\$30,122
2005	0	\$1,848,791	\$364,657	\$145,283	\$103,912	\$62,068	\$30,881
2006	0	\$2,044,689	\$388,806	\$153,542	\$108,904	\$64,702	\$31,987
2007	0	\$2,155,365	\$410,096	\$160,041	\$113,018	\$66,532	\$32,879
2008	0	\$1,803,585	\$380,354	\$159,619	\$113,799	\$67,280	\$33,048
Source: IRS							

Table 8

Average Tax Rate, 1980-2008 (Percent of AGI paid in income taxes)											
Year	Total	Top .1%	Top 1%	Top 5%	Between 5% & 10%	Top 10%	Between 10% & 25%	Top 25%	Between 25% & 50%	Top 50%	Bottom 50%
1980	15.31%		34.47%	26.85%	17.13%	23.49%	14.80%	19.72%	11.91%	17.29%	6.10%
1981	15.76%		33.37%	26.59%	18.16%	23.64%	15.53%	20.11%	12.48%	17.73%	6.62%
1982	14.72%		31.43%	25.05%	16.61%	22.17%	14.35%	18.79%	11.63%	16.57%	6.10%
1983	13.79%		30.18%	23.64%	15.54%	20.91%	13.20%	17.62%	10.76%	15.52%	5.66%
1984	13.68%		29.92%	23.42%	15.57%	20.81%	12.90%	17.47%	10.48%	15.35%	5.77%
1985	13.73%		29.86%	23.50%	15.69%	20.93%	12.83%	17.55%	10.41%	15.41%	5.70%
1986	14.54%		33.13%	25.68%	15.99%	22.64%	12.97%	18.72%	10.48%	16.32%	5.63%
Tax Reform Act of 1986 changed the definition of AGI, so data above and below this line not strictly comparable											
1987	13.12%		26.41%	22.10%	14.43%	19.77%	11.71%	16.61%	9.45%	14.60%	5.09%
1988	13.21%		24.04%	21.14%	14.07%	19.18%	11.82%	16.47%	9.60%	14.64%	5.06%
1989	13.12%		23.34%	20.71%	13.93%	18.77%	12.08%	16.27%	9.77%	14.53%	5.11%
1990	12.95%		23.25%	20.46%	13.63%	18.50%	12.01%	16.06%	9.73%	14.36%	5.01%
1991	12.75%		24.37%	20.62%	13.96%	18.63%	11.57%	15.93%	9.55%	14.20%	4.62%
1992	12.94%		25.05%	21.19%	13.99%	19.13%	11.39%	16.25%	9.42%	14.44%	4.39%
1993	13.32%		28.01%	22.71%	14.01%	20.20%	11.40%	16.90%	9.37%	14.90%	4.29%
1994	13.50%		28.23%	23.04%	14.20%	20.48%	11.57%	17.15%	9.42%	15.11%	4.32%
1995	13.86%		28.73%	23.53%	14.46%	20.97%	11.71%	17.58%	9.43%	15.47%	4.39%
1996	14.34%		28.87%	24.07%	14.74%	21.55%	11.86%	18.12%	9.53%	15.96%	4.40%
1997	14.48%		27.64%	23.62%	14.87%	21.36%	12.04%	18.18%	9.63%	16.09%	4.48%
1998	14.42%		27.12%	23.63%	14.79%	21.42%	11.63%	18.16%	9.12%	16.00%	4.44%
1999	14.85%		27.53%	24.18%	15.06%	21.98%	11.76%	18.66%	9.12%	16.43%	4.48%
2000	15.26%		27.45%	24.42%	15.48%	22.34%	12.04%	19.09%	9.28%	16.86%	4.60%
2001	14.23%	28.20%	27.50%	23.68%	14.89%	21.41%	11.58%	18.08%	8.91%	15.85%	4.09%
2002	13.03%	28.49%	27.25%	22.95%	13.87%	20.51%	10.47%	16.99%	7.67%	14.66%	3.21%
2003	11.90%	24.64%	24.31%	20.74%	12.22%	18.49%	9.54%	15.38%	7.12%	13.35%	2.95%
2004	12.10%	23.09%	23.49%	20.67%	12.28%	18.60%	9.26%	15.53%	7.01%	13.51%	2.97%
2005	12.45%	22.52%	23.13%	20.78%	12.37%	18.84%	9.27%	15.86%	6.93%	13.84%	2.98%
2006	12.60%	21.98%	22.79%	20.68%	12.60%	18.86%	9.36%	15.95%	7.01%	13.98%	3.01%
2007	12.68%	21.46%	22.45%	20.53%	12.66%	18.79%	9.43%	15.98%	7.01%	14.03%	2.99%
2008	12.24%	22.70%	23.27%	20.70%	12.44%	18.71%	9.29%	15.68%	6.75%	13.65%	2.59%
Source: IRS											

Some important facts to keep in mind about the information provided on this page.

(1) All tax returns that have a positive AGI are included, even those that do not have a positive income tax liability.

(2) Income tax after credits (the tax measure above) does not account for the refundable portion of EITC. If it were included (as is often the case with other organizations), the tax share of the top income groups would be higher. The refundable portion is legally classified as a spending program by the Office of Management and Budget and therefore is not included by the IRS in these figures.

(3) The only tax analyzed here is the federal individual income tax, which is responsible for about 25 percent of the nation's taxes paid (at all levels of government). Federal income taxes are much more progressive than payroll taxes, which are responsible for about 20 percent of all taxes paid (at all levels of government), and are more progressive than most state and local taxes (depending upon the economic assumption made about property taxes and corporate income taxes).

(4) AGI is a fairly narrow income concept, and does not include income items like government transfers (except for the portion of Social Security benefits that is taxed), the value of employer-provided health insurance, underreported or unreported income (most notably that of sole proprietors), income derived from municipal bond interest, net imputed rental income, worker's compensation benefits and others.

(5) Tax return is the unit of analysis, which is broader than households, especially for those at the bottom end, many of which are dependent returns. Some dependent returns are included in the figures here, and under other units of analysis (like Treasury's Family Economic Unit), would likely be paired with their parents' returns.

(6) The data source is the IRS Statistics of Income Division, which uses a national sample of tax returns to provide the figures used here. The figures above were taken from data that were labeled an "early release" by SOI in October 2010. The 2007 figures and those for years previous on this page above were taken from the final percentile data released by the IRS. Figures for 2008 may be subsequently revised.

(7) Figures presented represent the legal incidence of the income tax, although most distributional tables (such as those from CBO, Tax Policy Center, Citizens for Tax Justice, Treasury, and JCT) assume that the entire economic incidence of personal income taxes falls on the income earner.

Notes

¹ http://www.salon.com/news/2010_census/?story=/news/feature/2010/09/28/us_census_recession_s_impact_1

² <http://www.taxfoundation.org/files/wpl.pdf>

About the Tax Foundation

The Tax Foundation is a 501(c)(3) non-partisan, non-profit research institution founded in 1937 to educate the public on tax policy. Based in Washington, D.C., the Foundation's economic and policy analysis is guided by the principles of sound tax policy: simplicity, neutrality, transparency, and stability.