

Middle Class--Not the Rich or the Poor--Pay Majority of Federal Taxes, Says CBO Data

Middle-class Americans--not the poor or the rich--pay the majority of annual tax revenues taken in by the federal government, according to data in a new Congressional Budget Office study. Households earning less than \$34,300 per year, meanwhile, actually pay a negative average federal income tax rate.

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(CNSNews.com) - Middle-class Americans--not the rich or the poor--pay the majority of annual tax revenues taken in by the federal government, according to data released in a new Congressional Budget Office study. Households earning less than \$34,300 per year, meanwhile, actually pay a negative average federal income tax rate.

Middle-class households that earned between \$34,300 and \$141,900 paid 50.5 percent of all federal tax revenues in 2007 (the most recent year analyzed), according to the [CBO study](#) released Thursday, and households that earned between \$34,300 and \$352,900 paid 66.7 percent of all federal taxes.

Households in the top 1 percent for annual income (those earning more than \$352,900) paid a healthy 28.1 percent of all federal taxes, but households in the lower income brackets paid relatively little. Those earning less than \$34,300 paid only 5.2 percent of all federal taxes, and those earning less than \$20,500 carried almost none of the federal tax burden (just 0.8 percent of the total) in 2007.

The average overall federal tax rate (including income, Social Security, Medicare, excise and other taxes) for all American households was 20.4 percent in 2007. But the average rate rose dramatically as household income rose. Households earning less than \$34,300 paid an average overall federal tax rate of 10.6 percent, while households earning more than \$74,700 paid an average overall federal tax rate of almost two and half times that much--25.1 percent.

When it comes to the federal income tax alone (as opposed to Social Security, Medicare, excise and other taxes) the lower income brackets actually paid a negative rate, thanks to programs such as the Earned Income Tax Credit that paid people a "credit" for income taxes they never paid. The average federal income tax rate for households earning less than \$34,300, according to the CBO, was -0.4 percent in 2007, and the average federal income tax rate for households earning less than \$20,500 was -6.8 percent.

Over the past three decades, according to the [CBO data](#), taxation has been getting more progressive, as the tax burden has lightened on lower income households while increasing on higher income households. During those three decades, Presidents Ronald Reagan and George W. Bush signed laws cutting the top marginal income tax rates, but Presidents George H.W. Bush and Bill Clinton signed laws increasing the rates.

The CBO divided the 116.9 million American households of 2007 into five roughly equal parts (quintiles) graded by income. The income range for the lowest quintile was \$0 to \$20,500; the second quintile, \$20,500 to \$34,300; the third quintile, \$34,300 to \$50,000; the fourth quintile, \$50,000 to \$74,700; and the fifth quintile, \$74,700 and above. The share of overall federal taxes paid by each of the first four quintiles decreased from 1979 to 2007, while the share of overall federal taxes paid by the highest-income quintile increased, meaning the overall tax burden was shifting away from that class of Americans making less than \$74,700 per year in 2007 toward those earning more.

TAX BURDEN HAS GROWN LIGHTER ON LOWER INCOME HOUSEHOLDS, HEAVIER ON HIGHER

Share of total federal tax burden paid by each income quintile, 1979-2007 (Income ranges: 1st Quintile:\$0 to \$20,500; 2nd Quintile, \$20,500 to \$34,300; 3rd Quintile, \$34,300 to \$50,000; 4th Quintile, \$50,000 to \$74,700; 5th Quintile, \$74,700 and above.)

Year	Income Quintiles				
	1st	2nd	3rd	4th	5th
1979	2.1	7.2	13.2	21.0	56.4
1980	2.0	7.0	13.3	21.3	56.3
1981	2.0	7.1	13.6	21.9	55.2
1982	2.1	7.1	13.6	22.1	55.0
1983	2.2	6.9	13.3	21.8	55.7
1984	2.4	7.2	13.2	21.4	55.6
1985	2.3	7.2	13.2	21.3	55.8
1986	2.1	6.8	12.7	20.8	57.5
1987	1.8	6.5	12.4	20.7	58.4
1988	1.7	6.4	12.2	20.4	59.1
1989	1.6	6.4	12.6	20.6	58.7
1990	1.9	6.8	12.6	20.7	57.9
1991	1.9	6.6	12.6	20.9	57.9
1992	1.7	6.2	12.2	20.2	59.5
1993	1.6	6.0	11.8	19.8	60.5

1994	1.3	5.8	11.8	19.8	61.1
1995	1.3	5.8	11.4	19.3	61.9
1996	1.1	5.5	11.1	18.8	63.4
1997	1.1	5.4	10.8	18.3	64.2
1998	1.1	5.2	10.5	18.2	64.9
1999	1.1	5.2	10.2	17.8	65.6
2000	1.1	4.8	9.8	17.5	66.6
2001	1.0	4.9	10.1	18.4	65.3
2002	1.0	4.9	10.4	18.8	64.8
2003	1.0	4.5	10.0	18.4	65.8
2004	0.9	4.4	9.7	17.6	67.2
2005	0.8	4.2	9.2	16.8	68.8
2006	0.8	4.1	9.0	16.5	69.3
2007	0.8	4.4	9.2	16.5	68.9