

## Breaking Down the Taxpaying Population: Where Do You Fit In?

Every quarter, the Statistics of Income Division of the Internal Revenue Service (IRS) publishes financial statistics obtained from tax and information returns that have been filed with the federal government. Recent reports reflect data gleaned from 2009 individual federal income tax returns. These reports offer a snapshot of how Americans break down as taxpayers.

Sources for data: IRS Statistics of Income Bulletin, Spring 2012 and Winter 2012, Washington, D.C.; IRS, Data on the 400 Individual Income Tax Returns Reporting the Largest Adjusted Gross Incomes, 2009 Update to Statistics of Income Bulletin, Spring 2003, Washington, D.C.

### THE BIG PICTURE

Individuals filed roughly 140 million federal income tax returns for 2009. Of those returns, just under 82 million (approximately 58%) reported federal income tax greater than zero--representing the lowest percentage of taxable federal income tax returns in 24 years.

Half of all the individual income tax returns filed showed adjusted gross income of under \$32,396. (Adjusted gross income, or AGI, is basically total income less certain adjustments--e.g., deductible contributions to a traditional IRA.) As a whole, this bottom-50% group accounted for just 13.5% of the total AGI reported on all federal income tax returns. Put another way, 86.5% of AGI was concentrated in the top 50% of returns filed.

### A LOOK AT THE TOP

What did it take in AGI to make the top 5% of all individual filers? Probably not as much as you think. If your return showed AGI of \$154,643 or more, you would have been one

of the almost 6.9 million filers comprising the top 5%. This group reported about \$2.5 trillion in AGI--31.7% of the total AGI reported--and was responsible for 58.7% of the total income tax for the year.

The roughly 1.3 million returns showing AGI of at least \$343,927 made up the top 1% of all filers. This group reported 16.9% of total AGI; in other words, over \$1.3 trillion of the \$7.8 trillion in AGI reported was reported by the top 1% of filers. This group was responsible for 36.73% of the total income tax for the year.

There were just under 138,000 tax returns with AGI exceeding \$1.4 million. These returns, making up the top 0.1% of all filers (that's the top one-tenth of one percent), accounted for approximately \$610 billion in AGI (about 7.8% of all AGI), and paid just over 17% of the total income tax.

### NOT ALL HIGH-INCOME RETURNS SHOWED TAX

There were just over 3.9 million returns filed with AGI of \$200,000 or more. Of these returns, 20,752 (0.529%) showed no U.S. income tax liability. Why did these returns show no income tax? The IRS report that provided the data noted that high-income returns generally show no income tax as a result of a combination of factors, including deductions for charitable contributions, deductions for medical and dental expenses, and partnership and S corporation net losses.

### AVERAGE TAX RATES

Simply dividing total income tax paid by total amount of AGI results in the following average federal income tax rates:

Top 0.1%--Average federal income tax rate of 24.28%

Top 1%--Average federal income tax rate of 24.01%

Top 5%--Average federal income tax rate of 20.46%

Top 10%--Average federal income tax rate of 18.05%

Top 50%--Average federal income tax rate of 12.5%



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