

Who Pays the Most Income Tax?

Higher income earners pay the most, Treasury says

By [Robert Longley](#), About.com Guide

Feeling overtaxed? Under the U.S. income tax system, most of the taxes collected are supposed to be paid by the people who make the most money. Thanks to President Bush's tax cuts, that is exactly the way the system works, says the U.S. Treasury Department.

According to the Office of Tax Analysis, the U.S. individual income tax is "highly progressive," with a small group of higher-income taxpayers paying most of the individual income taxes each year.

In 2002 the latest year of available data, the top 5 percent of taxpayers paid more than one-half (53.8 percent) of all individual income taxes, but reported roughly one-third (30.6 percent) of income.

The top 1 percent of taxpayers paid 33.7 percent of all individual income taxes in 2002. This group of taxpayers has paid more than 30 percent of individual income taxes since 1995. Moreover, since 1990 this group's tax share has grown faster than their income share.

Taxpayers who rank in the top 50 percent of taxpayers by income pay virtually all individual income taxes. In all years since 1990, taxpayers in this group have paid over 94 percent of all individual income taxes. In 2000, 2001, and 2002, this group paid over 96 percent of the total.

Treasury Department analysts credit President Bush's tax cuts with shifting a larger share of the individual income taxes paid to higher income taxpayers. In 2005, says the Treasury, when most of the tax cut provisions are fully in effect (e.g., lower tax rates, the \$1,000 child credit, marriage penalty relief), the projected tax share for lower-income taxpayers will fall, while the tax share for higher-income taxpayers will rise.

The share of taxes paid by the bottom 50 percent of taxpayers will fall from 4.1 percent to 3.6 percent.

The share of taxes paid by the top 1 percent of taxpayers will rise from 32.3 percent to 33.7 percent.

The average tax rate for the bottom 50 percent of taxpayers falls by 27 percent as compared to a 13 percent decline for taxpayers in the top 1 percent.

The White House has announced it will lobby Congress to pass legislation making most of President Bush's tax cutting measures permanent.

Source: U.S. Treasury, Office of Tax Analysis

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