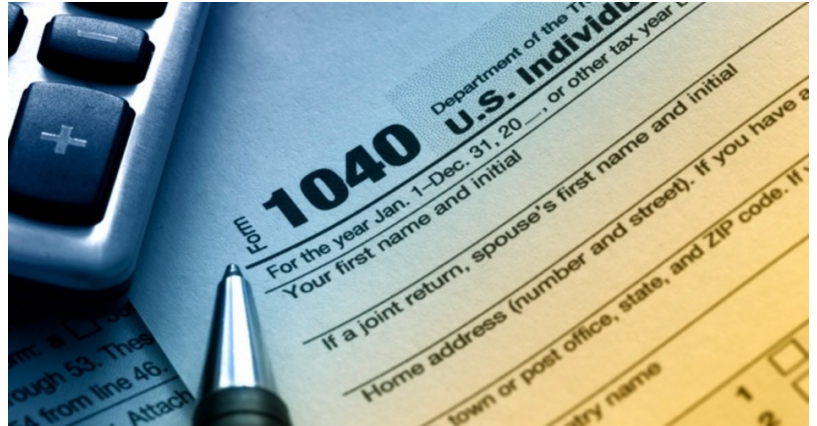




Written by [Michael Tennant](#) on April 16, 2015

Their “Fair Share”: Top 5th of Earners Pay 84 Percent of Income Taxes

The American Left, including [President Barack Obama](#), constantly harps on the supposed need for the wealthy to “pay their fair share” of taxes. But according to a [recent analysis](#) of tax data by the *Wall Street Journal*’s Laura Saunders, the top 20 percent of earners are already paying 84 percent of all federal income taxes, while the bottom 40 percent are actually getting paid by the government — or, more accurately, the other 60 percent of taxpayers — at tax time.



Using estimates from the Washington-based Tax Policy Center — a joint project of the Urban Institute and the Brookings Institution, and thus unlikely to be manipulating the data in favor of the rich — Saunders broke the data down into five income quintiles, each representing about 65 million people. This means the total population included in her analysis is around 325 million, which is higher than the Census Bureau’s latest population estimate of 319 million, but that’s because the Tax Policy Center “includes Americans living overseas and others,” Saunders explained.

The think tank’s income estimates also include “untaxed amounts for employer-provided health coverage, tax-exempt interest and retirement-plan contributions and growth, among other things,” she added. “On average, such benefits double the income of people in the bottom quintile and add more than 25% to the income of people in the top quintile,” Tax Policy Center income-tax specialist Roberton Williams told her.

The upshot of all this is that top fifth of earners — those making more than \$134,300 a year — paid 83.9 percent of all individual income taxes last year, yet this same group accounts for only a little more than half of all income in the country. Moreover, the top one percent — the three million people who earned 17.1 percent of all U.S. income — paid nearly half (45.7 percent) of all income taxes.

At the other end of the income spectrum, those in the bottom two quintiles, who earn \$47,300 or less, paid -3.2 percent of all income taxes. That is, the refunds paid to these people exceeded their tax liabilities, if any. The reason for that, noted Saunders, is that “in recent decades Congress has chosen to funnel important benefits for lower-income earners through the income tax rather than other channels. Some of these benefits, such as the Earned Income Tax Credit and the American Opportunity Credit for education, make cash payments to people who don’t owe income tax.” In other words, the tax code — all [74,608 pages](#) of it — is, in part, being used to dole out welfare benefits.

The remaining 40 percent of taxpayers, by the way, got taken for 19.3 percent of all income-tax revenue while earning 34.8 percent of all income. They and the 20 percent at the top, of course, had to foot the bill for the freebies given to the bottom 40 percent.

Now, anyone who’s looked at his pay stub knows that he’s paying far more than just federal income taxes. Besides state and local taxes, there are also hefty levies for Social Security and Medicare, which often take an even bigger bite out of a person’s income than the income tax itself. This is especially true



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for lower- and middle-income Americans since all of their income is subject to these taxes while only the first \$117,000 of higher-income Americans' earnings are subject to the Social Security tax.

"Payroll taxes claim a larger share of income for lower earners, compared to those in the top 20%," Williams [told](#) Saunders. That is, progressive programs have imposed highly regressive taxes, the very thing the Left claims to abhor. (Williams tried to put a good face on these onerous taxes by pointing out that unlike income taxes, social-insurance taxes provide, Saunders wrote, "the promise of a future benefit." That assumes, however, that the government is able to make good on these [increasingly unsustainable commitments](#) in the decades to come.)

Adding payroll taxes to income taxes, therefore, naturally increases lower-income Americans' share of federal taxes paid and decreases higher-income Americans' share. In fact, including payroll taxes lifts the bottom 40 percent of earners out of the red; they now contribute almost five percent of all taxes. The top quintile, meanwhile, goes from paying 84 percent of all taxes to kicking in "only" 67 percent — still significantly higher than their share of national income (51.3 percent).

No matter how you slice it, the rich are unquestionably paying far more than their "fair share" of federal taxes.



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