Graphs of Distribution of Current Law Tax Burden and Income by Source

Annually, the Office of Tax Analysis releases baseline distribution tables of Federal Taxes (Table 001) and Cash Income by Source (Table 002). These tables report estimates of income and taxes for the first year of the ten-year budget period under current law and the Administration’s economic forecast. Figures 1 and 2 below summarize the 2024 baseline estimates.¹

AVERAGE FEDERAL TAX RATES BY ADJUSTED FAMILY CASH INCOME, 2024

Figure 1 shows average tax rates for the individual income tax, payroll tax, corporate income tax, and excise taxes separately and in total.² All refundable credits (including the advanced portion of the Premium Tax Credit) are included as negative taxes in U.S. Treasury distribution tables. As a result, individual income taxes are shown as negative, on average, for low-income

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¹ The tables corresponding to these figures for 2024 are available here. For a summary explanation of the U.S. Treasury’s distributional analysis methodology look here. For a detailed explanation of Treasury’s distributional analysis methodology, see OTA Technical Paper 8.
² Figure 1 corresponds to Distribution Table 2024 001, Distribution of Families, Cash Income, and Federal Taxes under 2024 Current Law.
families in Figure 1. As also shown, the individual income tax is the largest federal tax only for high income families. Across the large majority of the income distribution, families pay more, on average, in payroll tax than any other Federal tax. Average corporate income and average excise taxes (including customs duties) are very low compared to average individual income and average payroll taxes for almost all families.

DISTRIBUTION OF INCOME SHARES BY INCOME SOURCE, 2024

Figure 2 shows the distribution of cash income. The height of each bar is the share of total cash income received by each income decile. The sources of total income for each decile are shown by colored sections: transfer income (dark blue), labor income (red) and capital income (light blue). Detail for the top decile is shown on the right side of the figure (the sum of the 3 bars on the right equal the bar for the top 10 percent and the sum of labor income, transfer income and capital income on the right sum to the source shares for the top 10 percent).

As shown in the figure, families in the top decile of the income distribution receive 45 percent of total income and families in the top 1 percent receive 19 percent of total income. Families in

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3 Figure 2 corresponds to Distribution Table 2024 002, Distribution of Income by Source at 2024 Income Levels.
the next highest income decile (80 to 90\textsuperscript{th} percentile) receive 15 percent of total income. Families in the bottom 10 percent of the income distribution receive less than 1 percent of total income.

Labor income is the largest source of income for each decile (the red share of each bar is larger than the dark blue or light blue). As a share of total income, labor income is over 75 percent of total income for families in the sixth decile (50-60th percentile) thru the ninth decile (80 to 90\textsuperscript{th} percentile) of the income distribution.

Only families in the top decile have a significant share of their income from capital (light blue section of each bar). For families in the bottom half of the distribution, income from capital is less than 5 percent of total income.

Transfer income is only a significant share of total income for the lower income deciles. Notably total transfer income is higher for middle-income families than the lowest income families (the dark blue sections of each bar are tallest for middle-income families) because not all sources of transfer income are means tested (e.g. social security benefits).