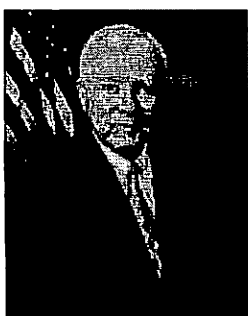


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Over Half of Households Paid No Income Taxes

WASHINGTON, D.C. (MAY 3, 2011)

A new analysis by Congress's nonpartisan Joint Committee on Taxation found that 51 percent of U.S. households did not pay any federal income tax in 2009.



Orrin Hatch

The report was unveiled during a hearing Tuesday by the Senate Finance Committee on the distribution of tax benefits and burdens in the Tax Code.

"American taxpayers are skeptical that the answer to our fiscal problems is for them to sacrifice more, when almost half of all households are not paying any income taxes," said Sen. Orrin Hatch, R-Utah, the ranking Republican member on the committee. "Those who promote higher income tax rates in the name of equality and deficit reduction need to come clean about what this means. With the income tax base so narrow, meaningful reductions in our deficits would require far more than taxes on the rich. Those tax increases would squarely hit the middle class, which the President and others have said is off limits. In short, the quest for social equality results in fewer resources and worse outcomes for the nation as a whole and the poor in

particular."

According to the JCT analysis, 51 percent of all households, which includes filers and non-filers, had either zero or negative income tax liability for tax year 2009. The committee also found that 30 percent of tax units actually made money off the income tax system for the 2009 tax year.

"We are in a situation where people are talking about increasing taxes on higher income people because, supposedly, they can afford it—and probably they can afford it," said Sen. Chuck Grassley, R-Iowa. "But I get sick and tired of the demagoguery that goes on in Washington of taxing higher income people. According to the Joint Committee on Taxation's latest analysis, 49 percent of households are paying 100 percent of income taxes coming into the federal government, while 51 percent of the people in this country don't pay any income tax whatsoever. How high do taxes have to go, generally, to satisfy the appetite of the people in this Congress to spend money? And particularly, how high do marginal tax rates have to go to satisfy those clamoring for higher taxes that the wealthiest in this country are paying enough money?"

Senate Finance Committee Chairman Max Baucus, D-Mont., noted that Americans want to see a fairer and more equitable the tax system. He pointed to a recent poll in the Associated Press that found most taxpayers said they believe the taxes they currently pay are fair, but that most believe that the wealthy don't pay their fair share.

"The perception is that tax loopholes and benefits exist that average Americans don't know about and can't access," said Baucus. "The wealthy folks can hire attorneys and accountants to find every credit and deduction, while average Americans can't afford that time and that expertise. One factor behind this perception may be the way changes to the code have affected people differently. Since 1986, Congress has made over 15,000 changes to the Tax Code. In most cases, these changes haven't benefited all taxpayers."

According to IRS data, he noted, the 400 taxpayers with the highest adjusted gross incomes had an effective tax rate of just below 17 percent for the 2007 tax year. The average income for those taxpayers was \$345 million per household. But the effective tax rate of people earning between \$1 million and \$1.5 million was 24 percent.

“High-end income concentration has greatly increased since the passage of the Tax Reform Act of 1986,” said New York University Law School professor Daniel N. Shaviro in his prepared testimony before the committee. “If one considers this trend undesirable, it could influence one’s views about tax rates at the high end of the income distribution.”